



GUAN^{BERHAD}**CHONG**
(646226-K)



COCOA
FOR ALL, FOR LIFE

Annual Report 2013



10

TENTH NOTICE OF ANNUAL GENERAL MEETING

PLACE

SRI LEDANG, 1ST HALL, 2ND FLOOR,
MUTIARA HOTEL,
JALAN DATO SULAIMAN,
TAMAN CENTURY, KB NO. 779,
80990 JOHOR BAHRU,
JOHOR DARUL TAKZIM

TIME

WEDNESDAY,
25 JUNE 2014 AT 11.00 A.M.



FAVORICH

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BOARD OF DIRECTORS

YBhg Dato' Dr. Mohamad Musa bin Md. Jamil
(Non-Independent Non-Executive Chairman)

Tay Hoe Lian
(Managing Director/Chief Executive Officer)

Tay How Sik @ Tay How Sick
(Executive Director/Chief Operating Officer)

Hia Cheng
(Executive Director/Chief Financial Officer)

Tan Ah Lai
(Independent Non-Executive Director)

Tay Puay Chuan
(Independent Non-Executive Director)

AUDIT COMMITTEE

Tan Ah Lai
(Chairman, Independent Non-Executive Director)

YBhg Dato' Dr. Mohamad Musa bin Md Jamil
(Member, Non-Independent Non-Executive Director)

Tay Puay Chuan
(Member, Independent Non-Executive Director)

NOMINATION COMMITTEE

Tay Puay Chuan
(Chairman, Independent Non-Executive Director)

YBhg Dato' Dr. Mohamad Musa bin Md Jamil
(Member, Non-Independent Non-Executive Director)

Tan Ah Lai
(Member, Independent Non-Executive Director)

REMUNERATION COMMITTEE

YBhg Dato' Dr. Mohamad Musa bin Md. Jamil
(Chairman, Non-Independent Non-Executive Director)

Tan Ah Lai
(Member, Independent Non-Executive Director)

Tay Puay Chuan
(Member, Independent Non-Executive Director)

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Tay Puay Chuan

SECRETARY

Pang Kah Man (MIA 18831)

REGISTERED OFFICE

No. 7 (1st Floor) Jalan Pesta 1/1
Taman Tun Dr. Ismail 1
Jalan Bakri
84000 Muar Johor
Tel : 06-9541-705
Fax : 06-9541-707

PRINCIPAL PLACE OF BUSINESS

PLO 273, Jalan Timah Dua
Kawasan Perindustrian Pasir Gudang
81700 Pasir Gudang Johor
Tel : 07-251-1588
Fax : 07-251-1711
Website : www.favorich.com

SHARE REGISTRARS

Symphony Share Registrars Sdn Bhd (378993-D)
Level 6 Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7841-8000
Fax : 03-7841-8008

AUDITORS

Crowe Horwath (AF 1018)
Chartered Accountants
No. 8 Jalan Pesta 1/1
Taman Tun Dr. Ismail 1
Jalan Bakri
84000 Muar Johor

PRINCIPAL BANKERS

AmBank Berhad
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
CIMB Bank Berhad
The Bank of Nova Scotia Berhad
Bangkok Bank Berhad
HL Bank Singapore
Oversea-Chinese Banking Corporation Limited
RHB Bank Berhad
Standard Chartered Bank Malaysia Berhad

SOLICITORS

Chee Siah Le Kee & Partners
Philip Teoh & Co
Roger Tan & Nurul

STOCK EXCHANGE LISTING

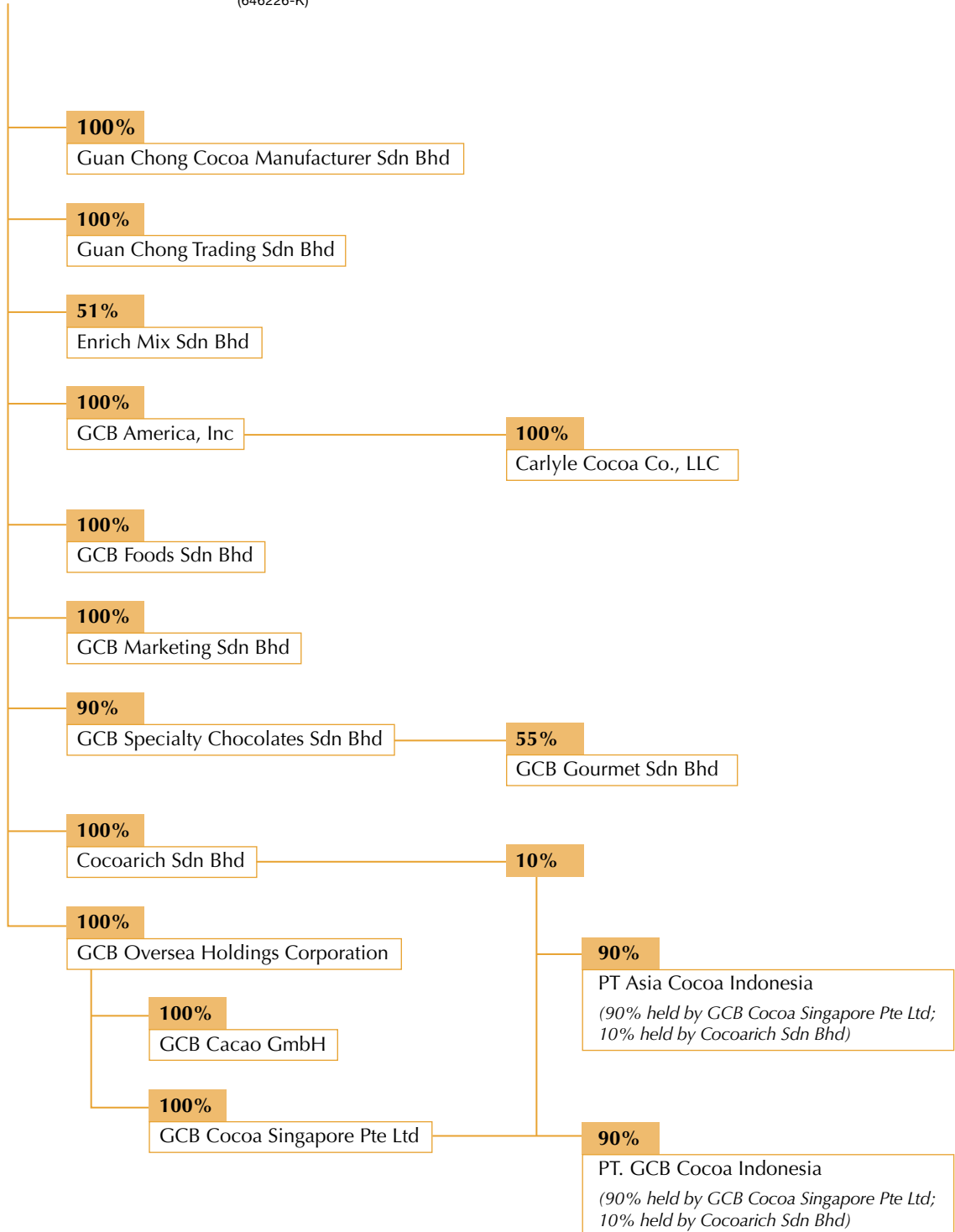
Main Market of Bursa Malaysia Securities Berhad
Stock Name : GCB
Stock Code : 5102

DATE OF LISTING

8 April 2005

GUAN CHONG BERHAD

(646226-K)



Financial Highlights

SUMMARIZED GROUP INCOME STATEMENT

	For The Financial Year Ended 31 December (RM'000)							
	2006	2007	2008	2009	2010	2011	2012	2013
Revenue	379,780	464,111	694,335	642,650	1,160,058	1,381,282	1,453,259	1,362,713
EBITDA	28,956	29,438	23,716	32,510	122,171	161,325	175,163	39,191
Profit Before Taxation	20,910	17,619	9,531	20,741	111,089	145,842	150,279	7,871
Net Profit Attributable to Equity Holders	17,561	14,212	6,778	14,265	100,788	121,652	118,982	3,414

SUMMARIZED GROUP STATEMENT OF FINANCIAL POSITION

	As At 31 December (RM'000)							
	2006	2007	2008	2009	2010	2011	2012	2013
Total Non-Current Assets	84,760	116,795	115,852	112,007	154,498	250,768	339,292	430,845
Total Current Assets	153,328	189,827	216,906	299,083	329,996	660,416	805,009	1,092,583
Total Assets	238,088	306,622	332,758	411,090	484,494	911,184	1,144,301	1,523,429
Share Capital	60,000	60,000	60,000	60,000	60,000	79,936	119,629	119,629
Reserves	28,295	34,928	37,581	45,282	122,673	187,204	225,985	214,332
Treasury Shares	-	-	-	-	(20)	(5,195)	(5,195)	(5,195)
Shareholders' Equity	88,295	94,928	97,581	105,282	182,653	261,945	340,419	328,766
Minority Interests	1,326	1,436	1,763	2,031	4,722	6,348	3,905	4,908
	89,621	96,365	99,344	107,313	187,375	268,293	344,324	333,674
Total Non-Current Liabilities	10,848	23,637	25,777	33,743	26,804	22,056	128,583	137,381
Total Current Liabilities	137,619	186,620	207,637	270,034	270,315	620,835	671,393	1,052,374
	238,088	306,622	332,758	411,090	484,494	911,184	1,144,301	1,523,429



SUMMARIZED GROUP CASH FLOWS

	For the Financial Year Ended 31 Dec (RM'000)							
	2006	2007	2008	2009	2010	2011	2012	2013
Operating Profit Before Working Capital Changes	27,625	27,441	23,729	38,820	120,958	181,058	187,018	87,443
Net Cash Flows (Used in)/From Operating Activities	(1,063)	2,575	(33,655)	(21,911)	85,099	(88,937)	14,272	(200,308)
Net Cash Flows (Used in)/ From Investing Activities	(23,928)	(34,400)	(7,872)	(4,194)	(44,424)	(107,197)	(112,462)	(101,092)
Net Cash Flows From/ (Used in) Financing Activities	20,301	29,738	42,587	36,187	(38,568)	196,020	136,788	281,081
Net (Decrease)/Increase in Cash and Cash Equivalents	(4,690)	(2,087)	1,030	10,156	1,412	1,068	38,685	(25,912)
Cash and Cash Equivalents at Beginning of Year	5,660	792	(1,184)	(154)	10,002	11,414	12,482	51,167
Cash and Cash Equivalents at End of Year*	792	(1,184)	(154)	10,002	11,414	12,482	51,167	25,255

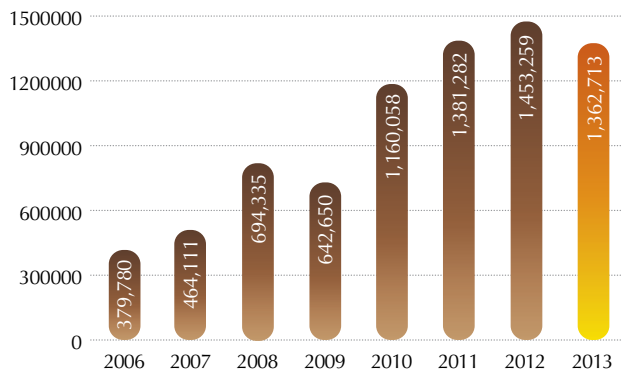
* including effect on exchange rate difference

	Financial Analysis							
	2006	2007	2008	2009	2010	2011	2012	2013
EBITDA Margin	7.62%	6.34%	3.42%	5.06%	10.53%	11.68%	12.05%	2.88%
Profit Before Tax Margin	5.51%	3.80%	1.37%	3.23%	9.58%	10.56%	10.34%	0.58%
Net Profit Margin	4.62%	3.06%	0.98%	2.22%	8.69%	8.81%	8.19%	0.25%
Free Cash Flow (RM'000)	(17,654)	(33,562)	(41,498)	(26,193)	44,737	(196,246)	(77,385)	(301,551)
ROE (Average Equity)	20.8%	15.5%	7.0%	14.1%	70.0%	54.8%	39.5%	1.0%
ROA (Average Total Assets)	8.1%	5.2%	2.1%	3.8%	22.5%	17.4%	11.6%	0.3%
Net Dividends Per Share (sen)*	2.15	1.12	0.25	1.38	8.71	7.50	8.70	3.00
Payout Ratio	58.8%	42.3%	17.7%	46.3%	27.6%	29.4%	34.7%	418.5%
Cash and Bank Balances (RM '000)	2,791	3,741	3,671	10,002	11,414	13,090	52,231	27,442
Total Borrowings (RM '000)	105,357	145,450	188,459	228,214	205,980	439,772	625,326	942,101
Gearing (net of cash)	1.16	1.49	1.89	2.07	1.07	1.63	1.68	2.78

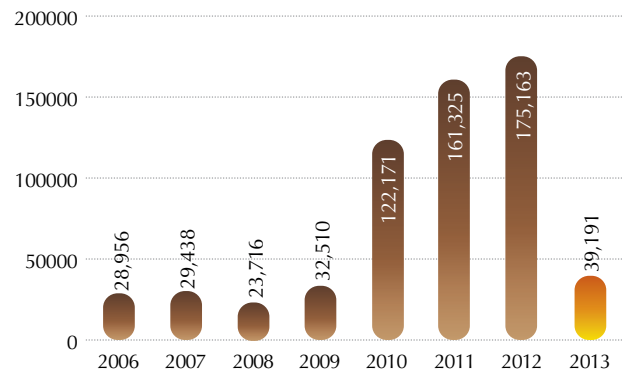
* Net DPS adjusted for 1-for-3 Bonus Issue in February 2011 and 1-for-2 Bonus Issue in September 2012

Financial Highlights

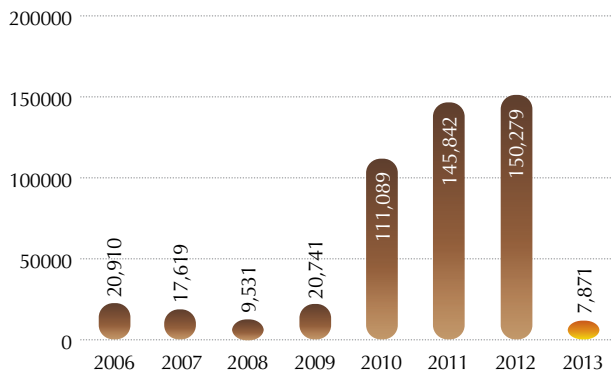
REVENUE (RM'000)



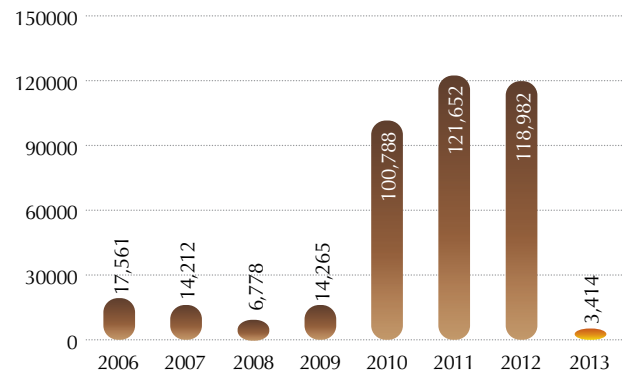
EBITDA (RM'000)



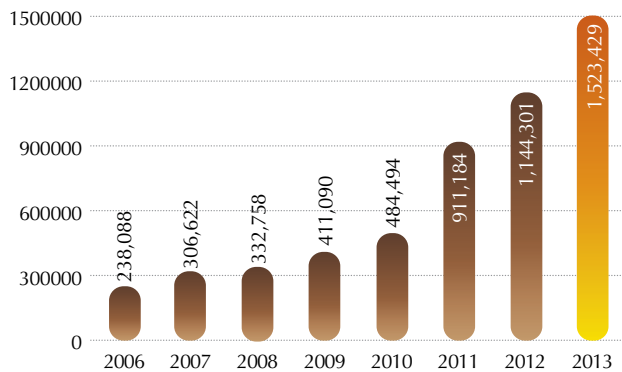
PBT (RM'000)



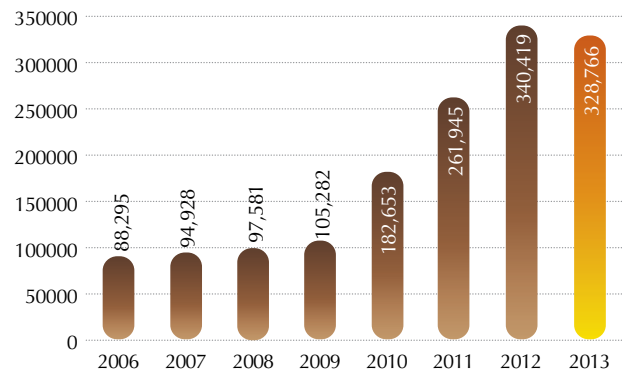
NET PROFIT (RM'000)



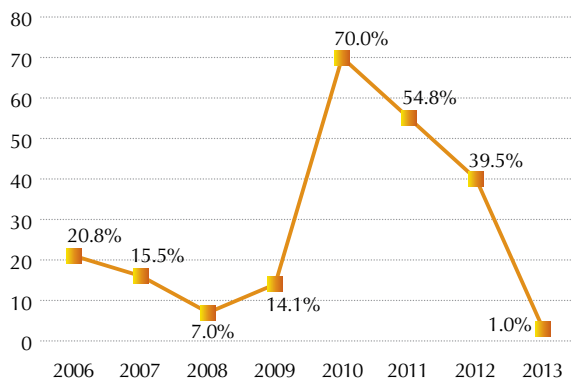
TOTAL ASSETS (RM'000)



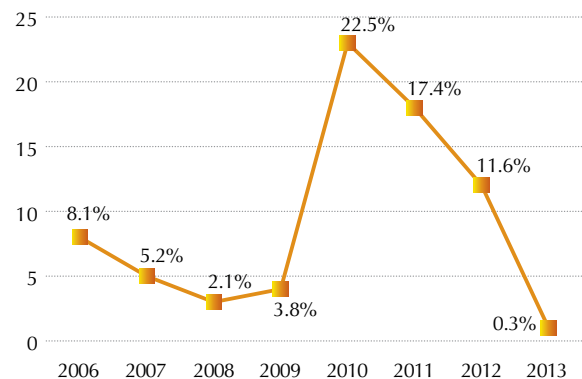
SHAREHOLDERS' EQUITY (RM'000)



RETURN ON AVERAGE EQUITY (ROE)



RETURN ON AVERAGE ASSETS (ROA)

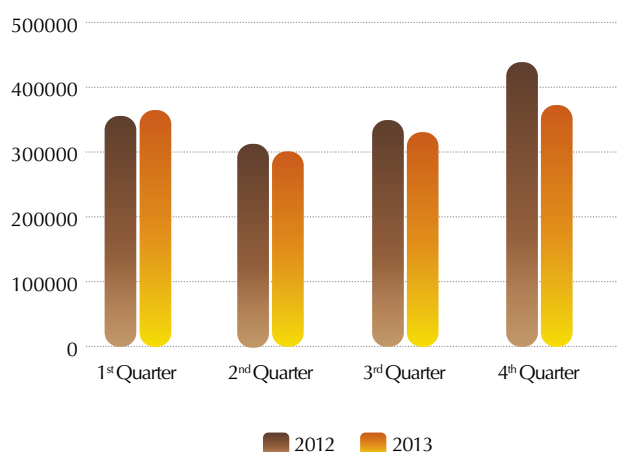


Financial Highlights

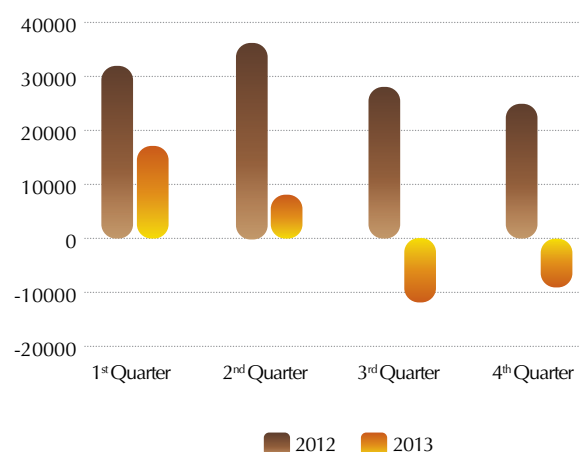
QUARTERLY ANALYSIS

Year Ended 31 Dec (RM'000)	2012	2013	% Chg
Turnover			
1st Quarter	354,340	364,283	2.8%
2nd Quarter	312,843	299,129	-4.4%
3rd Quarter	348,474	328,287	-5.8%
4th Quarter	437,602	371,014	-15.2%
	1,453,259	1,362,713	-6.2%
Net Profit			
1st Quarter	31,303	16,539	-47.2%
2nd Quarter	35,302	7,427	-79.0%
3rd Quarter	27,413	(11,845)	-143.2%
4th Quarter	24,964	(8,707)	-134.9%
	118,982	3,414	-97.1%

QUARTERLY REVENUE (RM'000)



QUARTERLY NET PROFIT (RM'000)



Board of Directors' Profile

**YBHG DATO' DR. MOHAMAD MUSA
BIN MD JAMIL**
Malaysian • Aged 68

YBhg Dato Dr Mohamad Musa Bin Md Jamil was appointed the Executive Chairman of Guan Chong Berhad on 8 January 2005. He was re-designated as Non-Independent Non-Executive Chairman on 1 April 2013. He is responsible for the overall strategic business planning and advises on the product development activities of the Group. He graduated with a Bachelor of Science in Biology from University of Malaya in 1972. Upon his graduation, he joined Malaysian Agricultural Research & Development Institute (MARDI) (Crop Protection Division), as a research assistant and later promoted to the research officer. In 1979, he obtained a PhD, in Mycology and Plant Pathology from Queens's University, Belfast, Northern Ireland. In 1980, he held the position of research officer of MARDI (Cocoa and Coconut Research Division) and promoted to the position of Deputy Director in 1984. Later, in 1985, he became the Director of the Cocoa and Coconut Research Division. As a Director, he was responsible for planning, managing and overseeing all research programmes under this division. In addition, he was also involved in the implementation and development programmes for cocoa smallholders. In 1990, he joined MCB as the Deputy Director General (Market Development and Regulatory). He was in charge of marketing, promoting, licensing and grading of cocoa beans and cocoa products. He also represented Malaysia in various meetings and trade negotiations held by International Cocoa Organisation (ICCO). In 1996, he was promoted to the post of Director General of MCB. As the Director General, he was responsible for planning, developing and managing of all research programmes which involved improvement of cocoa yield and quality as well as development of cocoa products and related downstream activities. In addition, he oversaw the implementation and enforcement of regulations on quality of cocoa beans and cocoa products. He held this position until he retired in 2001. Through the years, he has published more than 30 papers, mostly on cocoa. Currently, he is a member of Malaysian Plant Protection Society and Incorporated Society of Planters (ISP).

He is the Chairman of the Remuneration Committee of the Company. He is also the Member of the Audit Committee and Nomination Committee of the Company. He is not a director of any other public company. He has no family relationship with any director and/or major shareholder of the Company nor does he have any conflict of interest with the Company. He has not been convicted for any offences within the past 10 years.

He has attended all the four board meetings which were held in the financial year ended 31 December 2013.

TAY HOE LIAN
Malaysian • Aged 49

Tay Hoe Lian was appointed the Managing Director and Chief Executive Officer of Guan Chong Berhad on 8 January 2005. He graduated with a degree in Bachelor of Business Administration from the University of Toledo, College of Business Administration, USA in 1993. Upon his graduation, he was appointed as manager of JB Cocoa Group Sdn Bhd's Transport Division and overseeing the operation of the division. In 1997, he joined Guan Chong Cocoa Manufacturer Sdn Bhd ("GCC") as the Marketing Manager and has successfully marketed cocoa powder to the European, Middle East and South American markets. In 1999, he was appointed as a Director of GCC and promoted to the position of General Manager in 2002 and Managing Director in 2003. He also held the position of Human Resource and Administration Manager of GCC since 2002. With his contribution, GCC has successfully expanded its production capacity to become one of the leading players in the regional cocoa bean processing industry in terms of processing capacity and market share.

He was elected a member of Malaysian Cocoa Board by Ministry of Plantation Industries and Commodities from 1 February 2013 to 31 January 2015.

He is not a director of any other public company. He is the cousin of Tay How Sik @ Tay How Sick, an Executive Director and shareholder of the Company. He does not have any conflict of interest with the Company and has not been convicted for any offences within the past 10 years.

He has attended three of four board meetings which were held in the financial year ended 31 December 2013.

Board of Directors' Profile

TAY HOW SIK @ TAY HOW SICK

Malaysian • Aged 54

Tay How Sik @ Tay How Sick was appointed the Executive Director and Chief Operating Officer of Guan Chong Berhad on 8 January 2005. He has been a director and Factory Manager of Guan Chong Cocoa Manufacturer Sdn Bhd ("GCC") since 1989 and is currently in charge of the factory operations of GCC. As a director of JB Cocoa Group Sdn Bhd from 1987 to 2003, he was involved in the initial setting up of the cocoa beans processing plant including the building of factory, setting up the production line and machinery installation. Over the years, he has gained extensive knowledge and experience in the production of cocoa-derived food ingredients as well as maintenance and modification of machines to enhance production efficiency and improve the quality of cocoa-derived food ingredients. He is also a director and factory manager of Enrich Mix Sdn Bhd since 2002 and oversees the factory and processing of the products.

He is not a director of any other public company. He is the cousin of Tay Hoe Lian, the Managing Director and major shareholder of the Company. He does not have any conflict of interest with the Company and has not been convicted for any offences within the past 10 years.

He has attended all the four board meetings which were held in the financial year ended 31 December 2013.

HIA CHENG

Malaysian • Aged 49

Hia Cheng was appointed the Executive Director and Chief Financial Officer of Guan Chong Berhad on 8 January 2005. He obtained professional accounting qualification from The Chartered Association of Certified Accountants ("ACCA") in 1991 and became a fellow member of ACCA in 2001. He was with TH Liew & Gan, a local audit firm from 1986 to 1990. He joined Guan Chong Cocoa Manufacturer Sdn Bhd ("GCC") in 1991 as the Accounts Supervisor and has been actively involved in the administration, financial management and foreign currency management of GCC. In addition, he also carries out feasibility studies and investment appraisal for all of GCC's expansion projects. In 1996, he was promoted to his current position as Finance and Trading Manager of GCC. Since then, he has been heading the finance and trading department as well as sourcing cocoa beans and marketing of cocoa butter, cocoa liquor and cocoa cake. He has successfully strengthened GCC's relationships with its customers which include international trading companies.

He is not a director of any other public company. He has no family relationship with any director and/or major shareholder of the Company nor does he have any conflict of interest with the Company. He has not been convicted for any offences within the past 10 years.

He has attended all the four board meetings which were held in the financial year ended 31 December 2013.



Board of Directors' Profile

TAN AH LAI Malaysian • Aged 45

Tan Ah Lai was appointed as an Independent Non-Executive Director of Guan Chong Berhad on 26 October 2007. He is a fellow member of the Association of Chartered Certified Accountants, UK and a Chartered Accountant of the Malaysian Institute of Accountants. He started his career as an Audit Assistant in a public accounting firm in year 1994. In 2011, he incorporated his own consulting and accounting firm which provides accounting, tax and consultation services. He has extensive experience in financial and tax related work. Currently, he is an independent non-executive director of Crescendo Corporation Berhad.

He is the Chairman of the Audit Committee of the Company. He is also a Member of the Remuneration Committee and Nomination Committee of the Company. He has no family relationship with any director and/or major shareholder of the Company nor does he have any conflict of interest with the Company. He has not been convicted for any offences within the past 10 years.

He has attended all the four board meetings which were held in the financial year ended 31 December 2013.

TAY PUAY CHUAN Malaysian • Aged 50

Tay Puay Chuan was appointed as an Independent Non-Executive Director of Guan Chong Berhad on 8 January 2005. He started his career with the Polis DiRaja Malaysia, Bukit Aman in 1987 and later left the police force as a Police Inspector in 1992. He joined Fajar Sawmill Sdn Bhd as a Factory Manager from 1992 to 1997. In 1997, he obtained a Bachelor of Law (Honours) degree from University of London, UK. He was called to the Bar and admitted as an advocate and solicitor in 1998. He was the partner in Fazilah, Ong Chee Seong & Associates from 1998 to 2003 until he set up his own legal practice, Tay Puay Chuan & Co in Muar, Johor Darul Takzim in 2003. Currently, he is the Independent Non-Executive Director of Sern Kou Resources Berhad and Homeritz Corporation Berhad.

He is a Member of the Audit Committee and Remuneration Committee and the Chairman of Nomination Committee of the Company. He has no family relationship with any director and/or major shareholder of the Company nor does he have any conflict of interest with the Company. He has not been convicted for any offences within the past 10 years.

He has attended all the four board meetings which were held in the financial year ended 31 December 2013.



Dear Shareholders,

ON BEHALF OF THE BOARD OF DIRECTORS, I HEREBY PRESENT THE ANNUAL REPORT AND FINANCIAL STATEMENTS OF GUAN CHONG BERHAD (GCB OR THE GROUP) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER (FY)2013.

Overall, the global cocoa industry faced a rather competitive and turbulent year in 2013. This was evident from the very outset of the prevailing uncertainties in the global cocoa solids market, whereby cocoa powder dampened demand which resulted in excess supply and declining of average selling prices (ASP).

While the industry faced headwinds for cocoa powder, cocoa butter continued to edge up in terms of ASP and demand, as economies of the developed countries gradually recovered. In spite of cocoa butter sustaining its performance during volatile times in FY2013, higher demand for this cocoa butter could not alleviate the negative impact on many cocoa grinders.

All in all, the divergent trends in terms of ASP and demand for cocoa powder and cocoa butter have placed much stress on cocoa processors globally.

FY2013 FINANCIAL HIGHLIGHTS

Against this backdrop, GCB posted a 6.2% decline in FY2013 group topline from RM1,453.3 million to RM1,362.7 million previously. GCB's weak group topline was impacted by lower sales of cocoa solids – cocoa powder and cocoa cake; the revenue increase for cocoa butter however could not mitigate the decline in revenue contribution from cocoa solids.

The weak demand coupled with the dip in ASP for cocoa solids resulted in the Group's hampered performance in FY2013. This was compounded by the weakening Ringgit Malaysia (RM) and a write-down of inventory amounting to RM43.6 million during the year under review.

GCB registered net profit of RM3.4 million in FY2013, compared to RM119.0 million in FY2012. Basic earnings per share (EPS) stood at 0.72 sen in FY2013, versus 24.98 sen in FY2012.

As at end-FY2013, group shareholders' equity decreased marginally by 3.4% to RM328.8 million when compared to RM340.4 million as at end-FY2012, while the Group registered cash and cash equivalents of RM27.4 million in FY2013, a drop from RM52.2 million a year ago.

Additionally, the rise in overall group borrowings of RM942.1 in tandem with the inventory build-up of cocoa solids in FY2013 have caused group net gearing to rise to 2.78 time, in contrast with 1.68 time in the previous year.

Heading into the financial year ending 31 December 2014 (FY2014), we foresee the progressive recovery in the cocoa industry; hence, GCB will strive to implement key strategies to hasten the Group's turnaround.

DIVIDEND

GCB has a dividend policy of paying a minimum of 25.0% of net profit to shareholders.

GCB had earlier paid, on 28 March 2013, a first interim tax-exempt single tier dividend of 6.0% or 1.5 sen per share in respect of FY2013.

GCB later distributed, on 2 July 2013, a second tax-exempt dividend of 1.5 sen per share in respect of FY2013. Altogether, total dividends would amount to 3.0 sen per share, or RM14.3 million in dividend payout.

Chairman's Statement

CORPORATE SOCIAL RESPONSIBILITY (CSR)

GCB remains deeply committed to CSR – to acting responsibly, operating sustainably, and contributing to the communities in which we work in. There is no doubt that the Group have witnessed the positive impact that CSR had on the wellbeing of our employees, the environment, and our business operations. Thus, we believe that the implementation of CSR initiatives is vital for generating value for shareholders and to the Group.

To this end, we are proud to announce that we obtained in FY2013 the Rainforest Alliance certificate for being compliant with Sustainable Agriculture Network Chain-of-Custody requirements. This reflects our principles of embracing sustainability standards.

The Group's other CSR initiatives are highlighted in the Statement on Corporate Social Responsibility of the Annual Report.

CORPORATE GOVERNANCE

The Board of GCB is a strong advocate of good and sound corporate governance. Moreover, the Board is committed to providing a satisfactory return to its shareholders and fulfilling its corporate governance obligations and responsibilities in the best interests of the company and its stakeholders.

The implementation methods are highlighted in the Corporate Governance Statement of the Annual Report.

APPRECIATION

First and foremost, I wish to extend my sincere thanks to a dedicated and committed management team and staff, which have facilitated the Group in achieving a successful year. On behalf of the Board, I would also like to express my sincerest gratitude our loyal customers, suppliers, business associates, and the various regulatory authorities for the continued support and trust in the Group.

Finally, I would like to express my warmest appreciation to my fellow Board members and our faithful shareholders for the unfailing cooperation and guidance throughout these years.

Thank you.

YBhg Dato' Dr. Mohamad Musa bin Md Jamil
Chairman

Statement on Corporate Social Responsibility

Guan Chong Berhad (“GCB” or “the Group”) is centred on a rock solid belief in social responsibility and the desire to generate a positive impact and impression for our associates, customers, and the world. GCB thrives in the fair treatment of our diverse and talented associates, in our environmental conscience, in giving back to our communities and in our sound business ethics.

Therefore, GCB’s corporate social responsibility (“CSR”) activities are largely in line with Bursa Malaysia Securities Berhad’s (“Bursa Securities”) CSR framework, which are focused on four main key areas as stated below.

THE WORKPLACE

The Group regard the quality of the work environment as well as work experiences as vital forms of CSR, benefiting our employers and employees alike. In our workplace, we recognise the value and the wellbeing of our employees, while managing their talents within GCB’s workplace.

As part of our CSR activities, we have organised annual dinners in light of showing our utmost appreciation for the management and employees’ contribution throughout the year, in which provides the GCB team an opportunity to socialize not only within the workplace, but also outside the workplace. On top of that, we also our employees with a service award for the loyalty and dedication as our thoughtful note of appreciation.

In FY2013, we have organized several sporting events to promote the physical well-being of our employees together with team cohesiveness, namely badminton and futsal tournaments.

In line with achieving the Group’s strategic goals, GCB has also carried out several training programs for our employees in order to improve the necessary skills and competencies required in our daily cocoa manufacturing operations.

GCB also pays attention to the safety of our employees by carrying out safety training and procedures which held several times in a year. The training program basically aims to educate and alert on precautionary measures within our workplace.

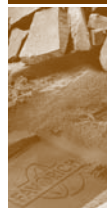
THE MARKETPLACE

The success of GCB is based on the Group’s strong foundation in understanding its marketplace, meanwhile providing our diverse clientele with excellent product offerings and services.

In doing so, we always emphasise on the need to have disclosure and transparency within the marketplace we operate in. Hence, we regularly host meetings among our Board members and Management Team, in order to update our stakeholders of latest corporate developments.

In addition, GCB constantly updates the marketplace on the Group’s corporate updates and actions through Bursa Securities announcements together with press releases. This is usually carried out via conducting various press conferences and interviews with multiple media agencies and related authorities as to keep the public well informed of our operations and our business merits.

We also participate in various career fairs, in which provides us access to large pools of qualified candidates. This will indeed facilitate with our long-term growth plan while enhancing our brand profile within the marketplace.



Statement on Corporate Social Responsibility

THE ENVIRONMENT

We have always been mindful of minimising waste and eliminating inefficiency to ensure that the Group's carbon footprint is being lowered. Our core values with regard to the environment comprises the protection of biodiversity, a recycling-oriented society, and emphasising on global environmental issues.

The Group's initiatives as such includes allocating recycling bins throughout our plants as means of reminding our employees to dispose recycled items. We also encourage our employees to seek methods to improve our production processes, namely the utilization of energy-conservation plants, as well as water treatment processes to prevent waste water, and to reduce carbon emissions into the environment.

THE COMMUNITY

GCB endeavours to contribute to society through our business activities and the actions of each individual employee within the Group. Today, GCB has established a reputable name within the landscape we operate in on the back of charitable activities and initiatives, mostly in line with contributing back to society.

In FY2013, the Group managed to contribute to the Cocoa Association of Asia by engaging in a cocoa cultivation project. This projects was aimed to increase production and yield of cocoa crops through the introduction of model farming together with educating cocoa farmers in the region.

Statement of Corporate Governance

The Board of Directors of the Company (or “the Board”) recognizes the importance of good corporate governance in ensuring that the interest of the Company, shareholders and other stakeholders are protected. The Board having duly considered the rationale for the said exception as explained in this Annual Report is committed to the establishment and implementation of a proper framework for governance and controls that are consistent with the principles recommended in the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”) and other applicable laws, regulations, directives and guidelines.

This corporate governance statement (“Statement”) sets out the adoption and practices of the principles and recommendations as set out in the MCCG 2012 and the relevant chapters of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) on corporate governance.

The manner in and the extent in which the corporate governance framework is applied throughout FY2013 is summarized as follows:

PRINCIPAL 1 : ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND MANAGEMENT

Principle Responsibilities of the Board of Directors

The Board directs the risk assessment, strategic planning, succession planning and financial and operational management of the Company and each of its subsidiaries (collectively referred to as “the Group” or “GCB Group”) to ensure that obligations to shareholders and other stakeholders are understood and met. The Board provides the leadership necessary to enable the Group’s business objectives to be met within the framework of internal controls described in this Statement.

Broadly, the Board assumes the following principal responsibilities in discharging its fiduciary and leadership functions:

- reviewing and adopting a strategic plan for the Group, including giving inputs to address the sustainability of the Group’s business;
- overseeing the conduct of the Group’s business, including the Group’s and Management Team’s performance, and evaluating whether or not its businesses are being properly managed;
- identify principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks;
- ensuring that all candidates appointed to senior management positions are of sufficient caliber, including having in place a process to provide for the orderly succession of senior management personnel and members of the Board;
- giving inputs to the development and implementation of an investor relations programme and stakeholder communications policy; and
- reviewing the adequacy and integrity of the Group’s internal control and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

To assist in the discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee, to which it has delegated certain responsibilities. The Board Committees have their roles and functions, written terms of reference, operating procedures and authority to examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. All deliberations and decisions taken by the Board Committees are documented and approved by the respective Chairman of the Board Committees prior to submission as agenda items for deliberation at the meeting of the Board. The ultimate responsibility for decision making, however, still lies with the Board. The Board reviews the Board Committees’ authority and terms of reference from time to time to ensure their relevance.

Clear roles and responsibilities

The Board has a collective responsibility for the management of the Group. The Non-Executive Directors are responsible for bringing independent judgment and scrutiny to decisions taken by the Board and providing objective challenges to Management.

The Non-Executive Directors do not participate in the day-to-day management of the Group and do not engage in any business dealing or other relationship with the Group to ensure that they are capable of exercising judgment objectively and act in the best interest of the Group, its stakeholders and shareholders, including minority shareholders. To enhance accountability, the Board has specific functions reserved for the Board and those delegated to the Management. There is a schedule of key matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Group are in its hands.



Statement of Corporate Governance

PRINCIPAL 1 : ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND MANAGEMENT (CONT'D)

Clear roles and responsibilities (Cont'd)

Key matters reserved to the Board for decision comprise the following:

- acquisition and disposal or closure of a business;
- declaration of dividends and approval of financial statements, including accounting policies of the Group;
- establishment of new businesses;
- annual strategic plan;
- capital investment and disposal of tangible assets from existing business to third party;
- increase or reduction by a subsidiary of its authorized or issued capital;
- financing on the Group's activities;
- any corporate restructuring not covered by the above-mentioned paragraphs; and
- the change of name of any company in the Group and establishment of any new company.

Code of Ethics for Directors and Code of Conduct

Board Conduct

The Board recognizes the importance of establishing a single source of reference for Board activities through a Board Charter as recommended by the MCCG 2012. As such, the Board has adopted a Board Charter to clearly delineate the roles of the Board, Board Committees and Management in order to provide a structured guidance for Directors and Management regarding their responsibilities of the Board, its Committees and Management, including the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Group as well as boardroom activities. The salient features of the Board Charter are also accessible by the public through the Company's website www.guanchong.com.

Conflict of Interest and Related Party Transactions

To assure accountability and prevent conflict of interest in relation to issues that come before the Board, Directors are reminded by the Company Secretary of their statutory duties and responsibilities and are provided with updates on any changes thereon.

The Directors further acknowledge that they are also required to abstain from deliberation and voting on relevant resolutions in which they have an interest at the Board or any general meeting convened. In the event a corporate proposal is required to be approved by shareholders, the interested Directors will abstain from voting in respect of their shareholdings and will further undertake to ensure that persons connected to them will similarly abstain from voting on the resolutions.

Trading on Insider Information

The Directors and employees of the Group are prohibited from trading in securities or any other kind of property based on price sensitive information and knowledge which has not been publicly announced.

Directors are also prompted not to deal in the Company's shares at any point when price sensitive information is shared with them, occasionally in the form of Board papers.

Code of Ethics and Code of Conduct

Apart from the above, the Board recognizes the importance of establishing a Code of Ethics and Code of Conduct (collectively referred to as the "Code") as recommended by the MCCG 2012. As such, the Board has formalized such Code which aims to instill, internalize and uphold the value of 'uncompromising integrity' in the behavior and conduct of the Board of Directors, Management, employees and all stakeholders of the Company.

Promoting Sustainability

The Company manages its business responsibly by managing the economic, social and environmental aspects of its operations. The Company produces the annual report, which highlights the financial aspects of the business and provides a clear, comprehensive and transparent representation of the Company's performance annually.

Statement of Corporate Governance

PRINCIPAL 1 : ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND MANAGEMENT (CONT'D)

Access to Information and Advice

The Board and the Board Committees receive timely and up-to-date information and the Company Secretary, under the direction of the Chairman, to ensure a balanced flow of information is disseminated for decisions to be made on an informed basis and for the effective discharge of the Board's responsibilities. Prior to the Board and the Board Committees meetings, a formal and structured agenda, together with a set of Board and Board Committees papers, are forwarded to all Directors at least seven (7) days prior to the Board and Board Committees meetings, to enable the Board to make decisions and for Directors to be prepared to deal with matters arising from such meetings. The Board firmly believes that effective deliberation and its decision making process is highly dependent on the quality of information furnished by Management.

Presentations to the Board and the Board Committees are prepared and delivered in a manner that ensures a clear and adequate understanding of the subject matter. In addition, reading materials on the subject matter are prepared and circulated prior to each meeting to assist Directors in having an understanding of the subject matter. The Management Team and external advisers are invited to attend Board and Board Committees meetings, as the case may be, to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda.

All Directors have unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively. The Company Secretary, who is qualified, experienced and competent, advises the Board on any updates relating to new statutory and regulatory requirements pertaining to the duties and responsibilities of Directors and their impact and implication to the Company and Directors in carrying out their fiduciary duties and responsibilities.

The Company Secretary organizes and attends all Board and Board Committees meetings and ensures meetings are properly convened; accurate and proper records are maintained accordingly at the Registered Office of the Company, and produced for inspection, if required. The removal of the Company Secretary is a matter for the Board, as a whole to decide.

PRINCIPLE 2 : STRENGTHEN THE COMPOSITION OF THE BOARD

The Composition of the Board

The Board consists of six (6) members, comprising one (1) Non-Independent Non-Executive Chairman, three (3) Executive Directors including the Managing Director/Chief Executive Officer and two (2) Independent Non-Executive Directors. The Board members provide an effective Board with a mix of industry-specific knowledge and broad business, financial, regulatory and technical experience. Furthermore, there is effective check and balance on the Board, with one third (1/3) of the Board members being Independent Non-Executive Directors.

The Board has identified Tay Puay Chuan as the Senior Independent Non-Executive Director of the Company to whom concerns may be conveyed. A brief description of the background of each Director is presented in the Directors' Profile on pages 8 to 10 of this Annual Report.

Nomination Committee - Selection and Assessment of Directors

The Nomination Committee was established on 26 April 2005 and is primarily responsible for the identification of the desired mix of expertise, competencies and experiences for an effective Board and the assessment of the performance of the members of the Board. As and when the need arises, the Nomination Committee shall also identify and recommend candidates with the necessary qualities to strengthen the Board.

On appointment of new Directors, the Management would facilitate the Directors' induction by providing the Directors with relevant information about the Group and encouraging them to visit the sites of the Group's operating units and meet with key senior executives.



Statement of Corporate Governance

PRINCIPLE 2 : STRENGTHEN THE COMPOSITION OF THE BOARD (CONT'D)

Nomination Committee - Selection and Assessment of Directors (Cont'd)

The Nomination Committee chaired by the Senior Independent Non-Executive Director, comprises wholly of Non-Executive Directors, with a majority of who are independent. The members of the Nomination Committee are:

- (i) Tay Puay Chuan
(Chairman, Independent Non-Executive Director)
- (ii) YBhg Dato' Dr. Mohamad Musa bin Md. Jamil
(Member, Non-Independent Non-Executive Director)
- (iii) Tan Ah Lai
(Member, Independent Non-Executive Director) (Appointed on 18 April 2014)

The Nomination Committee operates under its terms of reference and had one (1) meeting during the financial year ended 31 December 2013. Save and except for Tan Ah Lai, this meeting was attended by all members.

The Board through the Nomination Committee's annual appraisal, believes that the current composition of the Board brings the requisite mix of skills and core competencies required for the Board to discharge its duties effectively. Furthermore, the Board continuously reviews its size and composition with particular consideration on its impact on the effective functioning of the Board.

The Board appoints its members through a formal selection process. This process has been reviewed, approved and adopted by the Board. New candidates will be considered and evaluated by the Nomination Committee. The Nomination Committee will then recommend the candidates to be approved and appointed by the Board. The Company Secretary will ensure that all appointments are properly made, that all necessary information is obtained, as well as legal and regulatory obligation are met.

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to election by shareholders at the first opportunity after their appointment. The Articles also provide that at least one third (1/3) of the remaining Directors be subject to re-election by rotation at each Annual General Meeting ("AGM") provided always that all Directors shall retire from office at least once every three (3) years but shall be eligible for re-election.

The Nomination Committee is tasked to review succession plans and boardroom diversity, including gender diversity as encouraged by Bursa Securities and to develop criteria for the assessment of the Board, Board Committees and individual Directors, including where appropriate, criteria on assessing the independence of candidates' appointment as Independent Non-Executive Directors and to assess the contribution and performance of members of the Board. Currently, the Company does not have a female member of the Board and will evaluate and assess the possibility of appointing any female member of the Board.

In respect of the assessment for the financial year ended 31 December 2013, the Board was satisfied that the Board and Board Committees have discharged their duties and responsibilities effectively. The Board was also satisfied that the Board composition in terms of size, the balance between Executive Directors, Non-Executive and Independent Directors and mix of skills was adequate.

The Nomination Committee will also ensure that orientation programme is provided for new members of the Board and is also tasked to review the Directors' continuing education programmes.

The Nomination Committee has accessed to any form of independent professional advice, information and the advice and services of the Company Secretary, if and when required, in carrying out its functions. Directors seeking re-election and re-appointment abstain from all deliberations regarding his/her re-election and re-appointment to the Board and/or Board Committees. The Nomination Committee shall meet at least once a financial year or more frequent if needed.

Statement of Corporate Governance

PRINCIPLE 2 : STRENGTHEN THE COMPOSITION OF THE BOARD (CONT'D)

Remuneration Committee - Directors' Remuneration

The Remuneration Committee was established on 26 April 2005 and is primarily responsible for the development and review of the remuneration policy and packages for the Board members. The Remuneration Committee comprises wholly of Non-Executive Directors. The members of the Remuneration Committee are as follows:

- (i) YBhg Dato' Dr. Mohamad Musa bin Md. Jamil
(Chairman, Non-Independent Non-Executive Director)
- (ii) Tan Ah Lai
(Member, Independent Non-Executive Director)
- (iii) Tay Puay Chuan
(Member, Independent Non-Executive Director)

The Remuneration Committee had one (1) meeting during the financial year ended 31 December 2013. This meeting was attended by all members.

The remuneration policy aims to attract and retain Directors necessary for proper governance and hence success of the Group. The Remuneration Committee is responsible for recommending the remuneration packages of Executive Directors to the Board. None of the Executive Directors participated in any way in determining their individual remuneration. The Board as a whole recommends the remuneration of Non- Executive Directors in accordance with the experience and level of responsibilities undertaken with individual Directors abstaining from decision in respect of their individual remuneration. The Board, where appropriate, recommends payment of fees to Directors for approval by shareholders at the Company's AGM.

Directors' Remuneration

The details of Directors' remuneration payable to the Directors of the Company for the financial year ended 31 December 2013, by category and in successive bands of RM50,000 are as follows:

	Executive Directors RM	Non-Executive Directors# RM	Total RM
Fees	342,000	69,000	411,000
Salaries & Allowances	2,386,959	3,000	2,389,959
Bonuses – current year	526,456	-	526,456
EPF & SOCSO	109,931	-	109,931
Benefits-in-kind	65,275	-	65,275

	Number of Directors		Total
	Executive Directors	Non-Executive Directors#	
RM1 to RM50,000	-	4	4
RM700,000 - 750,000	1	-	1
RM1,100,000 -1,150,000	1	-	1
RM1,450,000 – 1,500,000	1	-	1

Include Director who has resigned.

In respect of the non-disclosure of detailed remuneration of each Director, the Board views that the transparency in respect of the Directors' remuneration has been appropriately dealt with by the 'band disclosure' presented in this Statement.

Statement of Corporate Governance

PRINCIPLE 3 : REINFORCE INDEPENDENCE OF THE BOARD

Independence of the Board

The responsibilities of the Chairman and Managing Director/Chief Executive Officer are clearly divided in accordance with the requirements of the MCGG 2012 to ensure that there is a balance of power and authority. The Chairman, a Non-Independent Non-Executive Director is primarily responsible for ensuring the effective conduct of the Board. Executive management led by the Managing Director/Chief Executive Officer who is responsible for the day to day management of the business as well as the implementation of the Board policies, decisions and operational effectiveness. The Independent Directors provide the necessary independent perspective and rigour in the formulation of strategies, deliberation of issues and implementation of major undertakings to ensure that the interest of not only the Group, but also stakeholders and the public in general are represented. This mixture of experience and expertise is deemed necessary in light of the increasing challenging economic and operating environment in which the Group operates.

Having a Non-Independent Chairman, the two Independent Directors have not formed a majority on the Board of Directors. However, the Board continues with the view that although with the representative of major shareholder on the Board, its existing two (2) Independent Non-Executive Directors, with their extensive knowledge and experience would be able to represent the investment of the public and the minority shareholders. They are independent of Management and free from any undue influence from interested parties which could materially interfere with the exercise of their independent judgment. They play a significant role in bringing impartiality and scrutiny to Board deliberations and decision making, and also serve to stimulate and challenge the Management in an objective manner.

The MCGG 2012 provides a limit of a cumulative term of nine (9) years on the tenure of an Independent Director. However, an Independent Director may continue to serve the Board upon reaching the nine (9) years limit subject to the Independent Director's re-designation as a Non-Independent Non-Executive Director. In the event the Board intends to retain the Director as Independent Director after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek shareholders' approval at general meeting. In justifying the decision, the Nomination Committee is entrusted to assess the candidate's suitability to continue as an Independent Non-Executive Director based on the criteria and definition of an Independent Director as set out under Paragraph 1.01 of Listing Requirements on independence and recommend to the Board for its consideration.

Tenure of an Independent Director

Tay Puay Chuan was appointed as Independent Director since 8 January 2005 and resumed the role as Senior Independent Director of the Company. Pursuant to Recommendation 3.2 of the MCGG 2012, Tay Puay Chuan will have served as Independent Director for a period of more than nine (9) years by 25 June 2014, the scheduled date for the 2014 AGM.

Pursuant to Recommendation 3.3 of the MCGG 2012 and notwithstanding his long tenure in office; the Board is unanimous in its opinion that Tay Puay Chuan's independence has not been compromised or impaired in any way after having noted the following considerations during the review and assessment of his independence:

- He continues to fulfill the criteria and definition of an Independent Director as set out under Paragraph 1.01 of Listing Requirements;
- During his tenure in office, he has not developed, established or maintained any significant relationship which would impair his independence as an Independent Director with the Executive Directors and major shareholders other than normal engagements and interactions on a professional level consistent and expected of him to carry out his duties as Independent Non-Executive Director and Chairman or member of the Board's Committees;
- During his tenure in office, he has never transacted or entered into any transactions with, nor provided any services to the Company and any of its subsidiaries, within the scope and meaning as set forth under Paragraph 5 of Practice Note 13 of Listing Requirements;
- He is currently not sitting on the board of any other public and/or private companies having the same nature of business as that of the Group; and
- During his tenure in office as Independent Non-Executive Director in the Company, he has not been offered or granted any options by the Company. Other than Director's fees and allowances paid which has been an industry norm and within acceptable market rates, duly disclosed in this Annual Report, no other incentives or benefits of whatsoever nature had been paid to him by the Company.

Accordingly the Board strongly recommends retaining Tay Puay Chuan as Senior Independent Non-Executive Director and will be tabling an Ordinary Resolution to the shareholders at the 2014 AGM for the said purpose.

Statement of Corporate Governance

PRINCIPLE 4 : FOSTER COMMITMENT OF DIRECTORS

The Board ordinarily schedules four (4) meetings in a year. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings.

A total of four (4) Board Meetings were held for the financial year ended 31 December 2013. The details of attendance of each Board Member are as follows:

Name of Directors	Attendance
YBhg Dato' Dr. Mohamad Musa bin Md. Jamil	4/4
Tay Hoe Lian	3/4
Tay How Sik @ Tay How Sick	4/4
Hia Cheng	4/4
Tan Ah Lai	4/4
Tay Puay Chuan	4/4
YBhg Mej Jen Dato Pahlawan Amirudin Mahmud bin Aladad Khan (Retired) (Resigned on 1 April 2013)	0/1

Time Commitment

Where any direction or decisions are required expeditiously or urgently for the Board between the regular meetings, special meetings of the Board are convened by the Company Secretary, after consultation with the Chairman. The agenda for the meeting of the Board are set by the Company Secretary in consultation with the Chairman and the Managing Director/Chief Executive Officer.

Decisions of the Board are made unanimously or by consensus. Where appropriate, decisions may be taken by way of Directors' Circular Resolutions between scheduled and special meetings.

The agenda, the relevant reports and Board papers are furnished to Directors in advance to allow the Directors sufficient time to peruse for effective discussion and decision making during meetings. The Board has a regular schedule of matters which are typically on the agenda and reviewed during the course of the year, namely, presentation on quarterly reports; the quarterly unaudited consolidated results; recommendations of the various Board Committees; announcements to Bursa Securities; the Company's audited financial statements; the Company's annual report which includes Statement on Corporate Social Responsibility, this Statement, Statement on Risk Management and Internal Control, Audit Committee Report and Statement of Directors' Responsibilities. Members of the Management Team or external advisors are invited, as and when required, to attend the Board and/or Board Committees meetings to advise and furnish the members of the Board and/or Board Committees with information and clarification relating to the items on the agenda for effective discussion and decision making.

All pertinent issues discussed at Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretary by way of minutes of meetings. It is the policy of the Company for Directors to devote sufficient time and efforts to carry out their responsibilities. The Board obtains this commitment from all the Directors at the time of appointment.

Directors' Training

Under the Listing Requirements, the Nomination Committee has assumed the onus of determining or overseeing the training needs of the Directors. All the Directors have attended the Mandatory Accreditation Programme.

During the financial year ended 31 December 2013, all Directors have attended relevant courses and training programmes to enhance their knowledge to effectively discharge their duties and obligations.

Statement of Corporate Governance

PRINCIPLE 4 : FOSTER COMMITMENT OF DIRECTORS (CONT'D)

Directors' Training (Cont'd)

The courses and training programmes attended by the Directors are as follows:

Name of Director	Courses/Training Programmes Attended
YBhg Dato' Dr. Mohamad Musa bin Md. Jamil	Malaysian International Cocoa Conference Nominating Committee Program
Tay Hoe Lian	Advocacy session on Corporate Disclosure for Directors of Listed Issuers
Tay How Sik @ Tay How Sick	CMAA International Cocoa Conference - Dominican Republic
Hia Cheng	CMAA International Cocoa Conference - Dominican Republic
Tan Ah Lai	Workshop on Pioneer Status or Investment Tax Allowance: Making a Choice IRB-CTIM Roadshow 2013: The Important Of Taxpayer Compliance Malaysian Financial Reporting Standards - Impact on Company Tax Tax Implications and Treatment of Income and Expenditure Accounting and Tax Treatment for Revenue and Expenditure Persidangan Cukai Malaysia 2013 2014 Budget Seminar
Tay Puay Chuan	21 st Century Corporate Management Model

The Directors are mindful that they shall continue to undergo the relevant training programmes in order to stay abreast with the latest developments in the industry and to better enable them to fulfill their responsibilities.

The Company Secretary and external auditors have also regularly updated the Directors on the latest relevant regulatory requirements and accounting standards to enable them to keep abreast with such developments and amendments.

PRINCIPLE 5 : UPHOLD INTEGRITY IN FINANCIAL REPORTING BY COMPANY

The Board aims to provide and present a clear, balanced and comprehensive assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly and half yearly announcement of results to shareholders, as well as the interview with the Managing Director/Chief Executive Officer and review of the Group's operations in this Annual Report.

The Board is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Group and the Company as at the end of the reporting period and of their results and cash flows for the period then ended. In preparing the financial statements, the Directors ensure that accounting standards approved by the Malaysian Accounting Standards Board in Malaysia ("MASB") and the provisions of the Companies Act, 1965 are complied with and reasonable and prudent judgments and estimates have been made. The Directors' overall responsibilities also include taking such steps as are reasonably open to them to safeguard the assets of the Group and for the implementation and continued operation of adequate accounting and internal control systems for the prevention of fraud and other irregularities.

The Board is satisfied that it has met its obligation to present a balanced and understandable assessment of the Group's position and prospects in the Directors' Report and the Financial Statements set out in this Annual Report.

To assist in the discharge its duties on financial reporting, the Board has established an Audit Committee on 10 January 2005. The composition of the Audit Committee, including its roles and responsibilities are set out in this Annual Report. One of the key responsibilities of the Audit Committee is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia. Such financial statements comprise the quarterly financial report announced to Bursa Securities and the annual statutory financial statements.

Statement of Corporate Governance

PRINCIPLE 5 : UPHOLD INTEGRITY IN FINANCIAL REPORTING BY COMPANY (CONT'D)

The Board's obligation to establish formal and transparent arrangements in considering how it should apply financial reporting and internal controls, and maintaining an appropriate relationship with the Group's external auditors is met through the Audit Committee. The Audit Committee discusses with the external auditors the nature and scope of the audit and reporting obligations before audit commences. The Audit Committee ensures that the Management provides timely response on any material queries raised by the external auditors, in respect of the accounting records, financial accounts or system of controls. The Audit Committee is empowered by the Board to review any matters concerning the appointment and re-appointment, resignations or dismissals of external auditors and review and evaluate factors relating to the independence of the external auditors. The Audit Committee works closely with the external auditors in establishing procedures in assessing the sustainability and independence of the external auditors.

PRINCIPLE 6 : RECOGNISE AND MANAGE RISKS OF THE GROUP

The Board recognizes its responsibility over the principal risks of various aspects in the Group's business.

The Board and Management are mindful of measures required to identify risks residing in any major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment.

The responsibilities of identifying and managing risks are delegated to the respective head of each business units. The Board and the Audit Committee are responsible to review the effectiveness of the processes. Any material risk identified will be discussed and appropriate actions or controls will be implemented. This is to ensure the risk is properly monitored and managed to an acceptable level.

The Board is fully aware of the importance of the internal audit function and has outsourced this function to an independent consulting service provider to provide an independent appraisal over the system of internal control of the Group to the Audit Committee.

The internal audit adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the business unit of the Group. Scheduled internal audits are carried out by the internal auditors based on the approved internal audit plan. The internal auditors provide quarterly reports to the Audit Committee, reporting on the outcome of the audits conducted which highlight the effectiveness of the system of internal control and significant risks. The Audit Committee reviews and evaluates the key concerns and issues raised by the internal auditors and ensures that appropriate and prompt remedial action is taken by the Management.

The key features of the risk management and internal controls are set out in the Statement on Risk Management and Internal Control as stated on pages 29 to 33 of this Annual Report.

PRINCIPLE 7 : ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

An essential aspect of an active and constructive communication policy is the promptness in disseminating information to shareholders and investors. The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures pertaining to the Group to the regulators, shareholders and stakeholders of the Company.

The Company acknowledges the need for investors to be informed of all material business and corporate developments affecting the Group.

The timely release of quarterly results of the Group and the issue of the Company's Annual Reports provide regular information on the state of affairs of the Group. These, together with the announcements to Bursa Securities, circulars to shareholders and, where appropriate, ad-hoc press statements and interviews are the principal channels for dissemination of information by the Company to its investors, stakeholders and the public generally. This information is also accessible by the public through the Bursa Securities' website at <http://www.bursamalaysia.com>.

In addition, the Company's website at www.guanchong.com provides information on the Group's business, corporate development and announcements to Bursa Securities. Other information relevant to shareholders and investors such as Annual Reports, circulars to shareholders and quarterly reports are available for download at the Company's website.



Statement of Corporate Governance

PRINCIPLE 8 : STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND ITS SHREHOLDERS

The Board believes that they are not only accountable to shareholders but also responsible for managing a successful and productive relationship with the Company's stakeholders.

Annual Report and shareholders' participation at general meetings

The Company recognizes the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including minority shareholders, are protected. The Board provides its shareholders and investors with information on its business, financials and other key activities in this Annual Report, which contents are continuously enhanced to take into account the developments, amongst others, in corporate governance.

The Company's AGM provides a vital platform for both private and institutional shareholders to share viewpoints and acquire information on issues relevant to the Group. Shareholders are encouraged to attend and participate at the AGM by raising questions on the resolutions being proposed or on the Group's business operations in general. The Notice of the AGM and related documents are issued to the shareholders at least twenty-one (21) days before the meeting. Shareholders who are unable to attend are allowed to appoint proxies. Members of the Board, the external auditors and where applicable, other advisers of the Company are present to answer queries at the AGM as well as to discuss with shareholders and invited attendees and members of the press. Shareholders and the public can convey their concerns and queries to the Company's Senior Independent Non-Executive Director. All the resolutions set out in the Notice of the AGM are put to vote by show of hands. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairman declares the number of votes received, both for and against each separate resolution where appropriate. The Company shall endeavor, whenever possible, to put to vote of substantive resolutions at the AGM by poll. The outcome of the AGM is announced to Bursa Securities on the same meeting day.

Communication and engagement with shareholders

The Company recognizes the importance of being transparent and accountable to its stakeholders and, as such, maintains an active and constructive communication policy that enables the Board and Management to communicate effectively with investors, financial community and the public generally.

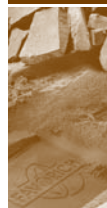
The various channels of communications are through meetings with institutional shareholders and investment communities, quarterly announcements on financial results to Bursa Securities, relevant announcements and circulars, when necessary, the annual and extraordinary general meetings and through the Company's corporate website at www.guanchong.com, from which shareholders and prospective investors can access corporate information, annual reports, press releases, financial information, company announcements and share prices of the Company.

COMPLIANCE STATEMENT

The Board is pleased to report that this Statement provides the corporate governance practices of the Company with reference to the MCCG 2012. The Board considers and is satisfied that the Company has fulfilled its obligations under the broad Principles as set out in the MCCG 2012. However, the Board has reserved several of the Recommendations of the MCCG 2012 and their Commentaries and has rationalized and provided justifications for the deviations in this Statement. Nevertheless, the Company will continue to strengthen its governance practices to safeguard the best interests of its shareholders and other stakeholders.

This Statement was presented and approved at the meeting of the Board on 17 April 2014.

Audit Committee Report



MEMBERSHIP

- Chairman : Tan Ah Lai
(Independent Non-Executive Director)
- Members : YBhg Dato' Dr. Mohamad Musa bin Md. Jamil
(Non-Independent Non-Executive Director)
Tay Puay Chuan
(Independent Non-Executive Director)

TERMS OF REFERENCE

Objectives

The primary objective of the Audit Committee is to assist the Board in fulfilling their responsibilities relating to accounting and reporting practices of the Group. In addition, the Audit Committee will:-

- oversee and appraise the quality of the audit conducted by the Company's external auditors and where applicable, the internal auditors in order to strengthen the confidence of the public in the Group's reported results;
- maintain, by scheduling regular meetings, open lines of communication amongst the Board, the external auditors and where applicable the internal auditors, to exchange view and information as well as to confirm their respective authority and responsibilities;
- provide emphasis on the internal audit function by increasing the objectivity and independence of the internal audit personnel and provide a forum for discussion that is independent of management;
- review related party transactions entered into by the Company and the Group to ensure that such transactions are undertaken on the Group's normal commercial terms and that the internal control procedures with regards to such transactions are sufficient;
- provide assistance to the Board in fulfilling its fiduciary responsibilities relating to the Company's administrative, operating and accounting controls; and
- act upon the Board's request to investigate and report on any issues or concerns on the management of the Group.

Composition

The Audit Committee shall be appointed by the Board from among their members and composed no fewer than three (3) members. All the Audit Committee members must be Non-Executive Directors of which a majority shall be Independent Directors.

At least one (1) Member of the Audit Committee:-

- must be a Member of the Malaysian Institute of Accountants (MIA); or
- if he is not a Member of MIA, he must have at least three (3) years' working experience and :-
 - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - he must be a Member of one of the Associations of Accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- he must have
 - a degree/masters/doctorate in accounting or finance and at least three (3) years' post qualification experience in accounting or finance; or
 - at least seven (7) years' experience being a chief financial officer of a corporation or having the function primarily responsible for the management of the financial affairs of a corporation.

The Members of the Audit Committee shall elect a Chairman from among their number who shall be an Independent Director.

In the event that if a Member of the Audit Committee vacates office resulting the total number reduced to below three (3), the Board shall, within three (3) months of that event, appoint a new Member to make up the minimum number of three (3).

Audit Committee Report

TERMS OF REFERENCE (CONT'D)

Meetings

The Audit Committee will meet at least once a quarter and such additional meetings as the Chairman shall decide in order to fulfill its duties. In addition, the Chairman may call a meeting if a request is made by any Committee member, the Company's Managing Director/Chief Executive Officer, the external auditors or the internal auditors where applicable. However, the Audit Committee should meet with the external auditors without the presence of the Executive Directors, at least twice a year. The Company Secretary shall be responsible for keeping the minutes of meetings of the Audit Committee, and circulating them to Audit Committee members and to other members of the Board.

A quorum for a meeting shall be two (2) members with the majority of the members present shall be Independent Directors. The Board must prepare an Audit Committee Report at the end of the financial year in this Annual Report which summarises the Audit Committee's activities undertaken during the year and the related significant findings noted.

Authority

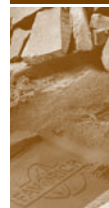
The Audit Committee is authorised to investigate any activity of the Company within its Terms and Reference and all employees shall be directed to co-operate with any request made by the Audit Committee. The Audit Committee shall have unrestricted access to any information pertaining to the Company and have direct communication channels with the external and internal auditors, when applicable and to the Senior Management of the Group. The Audit Committee shall be empowered to retain persons or experts having special competence as necessary to assist the Audit Committee in fulfilling its responsibilities.

Duties and Responsibilities

The duties and responsibilities of the Audit Committee shall be as follows:-

- to consider and recommend the appointment or re-appointment of the external auditors, the audit fees and questions of resignation or dismissal;
- to oversee all matters pertaining to audit including the review of the audit scope and audit plan based on the external auditors' presentation of audit strategy and plan; and audit report with the external auditors;
- to review the financial statements of the Company/Group, and to discuss problems and reservations arising from the interim and final results, and any matters that the external auditors may wish to discuss (in the absence of the management where necessary);
- to review of the unaudited financial results announcements before recommending them for Board's approval.
- to convene meetings with the external auditors, the internal auditors or both excluding the attendance of other Directors and employees of the Group, whenever deemed necessary;
- to develop and review for recommendation to the Board, the Company's policy in relation to the provision of non-audit services by the external auditors, which takes into consideration:
 - whether the skills and experience of the audit firm make it a suitable service provider for non-audit services;
 - whether there are safeguards to eliminate or reduce to an acceptable level any threat to the objectivity or independence of the external auditor in the conduct of external audit resulting from non-audit services provided by the external auditors; and
 - the nature of the non-audit services and the fee level or threshold permitted in relation to the audit fees payable to the external auditors and/or its network firms for each financial year;
- to review the non-audit services provided by the external auditors and/or its network firms to the Group for the financial year, including the nature of the non-audit services, fee level or threshold of the non-audit services, individually and in aggregate, relative to the external audit fees and safeguards deployed to eliminate or reduce the threat to objectivity and independence in the conduct of the external audit resulting from the non-audit services provided;

Audit Committee Report



TERMS OF REFERENCE (CONT'D)

Duties and Responsibilities (Cont'd)

- in relation to the internal audit function :
 - to review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its works; and
 - to review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
 - to review the appointment or re-appointment of the internal auditors, the audit fee and questions of resignation or dismissal; and
 - to review and approve the risk management framework from time to time and any significant proposed changes to risk management policies and strategies;
 - to review the Statement on Risk Management and Internal Control to be published in this Annual Report;
- to review any related parties transactions that may arise within the Company or the Group;
- to exercise its power and carry out its responsibility as may be required from time to time under the whistle-blowing policy as and when necessary;
- to ensure that the Group is in compliance with the regulations of the Companies Act 1965, Listing Requirements and other legislative and reporting requirements;
- to identify and direct any special project or investigate and to report on any issues or concerns in regards to the management of the Group; and
- to commission such investigations or reviews relevant to its role as it sees fit.

SUMMARY OF ACTIVITIES

A total of four (4) Audit Committee meetings were held for the financial year ended 31 December 2013. The details of attendance of each Audit Committee member are as follows:

Name of members	Attendance
Tan Ah Lai	4/4
YBhg Dato' Dr. Mohamad Musa bin Md. Jamil (Appointed on 1 April 2013)	3/3
Tay Puay Chuan	4/4
YBhg Mej Jen Dato' Pahlawan Amirudin Mahmud bin Aladad Khan (Retired) (Resigned on 1 April 2013)	0/1

During the financial year under review, the Audit Committee discharged its functions and duties in accordance with its existing Terms of Reference.

Audit Committee Report

SUMMARY OF ACTIVITIES (CONT'D)

The main activities undertaken by the Audit Committee during the financial year included the following:

- reviewed the external auditors' scope of work and audit plans for the year. Prior to the audit, representatives from the external auditors, presented their audit strategy and plan;
- reviewed with the external auditors the results of the audit, the audit report and the management letter, including management's response;
- consideration and recommendation to the Board for approval of the audit fees payable to the external auditors;
- considered the nomination of external auditors for recommendation to the Board for re-appointment;
- reviewed the internal auditors' programmes and plans for the financial year under review and the assessment of the effectiveness of internal audit activities;
- reviewed the internal audit plans, reports, recommendations and management's response;
- reviewed quarterly unaudited financial statements of the Company prior to submission to the Board for their consideration and approval;
- reviewed the audited financial statements for the financial year ended 31 December 2013;
- ensured that the Group is in compliance with the regulations of the Companies Act 1965, the applicable approved accounting standards as per MASB, Listing Requirements and other legislative and reporting requirements;
- reviewed the recurrent related party transactions and control procedures for those transactions in the shareholders' mandate;
- reviewed the whistle-blowing policy and recommended the amendment and/ or modification, if any to the Board;
- reviewed the Statement of Corporate Governance, Audit Committee Report and the Statement on Risk Management and Internal Control and recommend their adoption to the Board, deliberated the disclosure requirements for corporate social responsibility and noted the management action plan; and
- reviewed the application of corporate governance principles and recommendations and the extent of the Group's compliance with the best practices as set out under the MCCG 2012.

INTERNAL AUDIT FUNCTION

The Board acknowledges that it is responsible for maintaining a sound system of internal controls which provide reasonable assessment of effective operations, internal financial controls and compliance with laws and regulations as well as with internal procedures and guidelines.

The Company has engaged an external independent consulting service provider to carry out the internal audit function to assist the Audit Committee in maintaining a sound system of internal control. The internal audits were undertaken to provide independent assessments on the accuracy, efficiency and effectiveness of the Group's internal control systems.

An overview of the Group's approach in maintaining a sound system of internal control is set out in the Statement on Risk Management and Internal Control on pages 29 to 33 of this Annual Report.

Statement on Risk Management and Internal Control



INTRODUCTION

Paragraph 15.26(b) of the Listing Requirements requires the Board of Directors of a Listed Issuer to include in its annual report a Statement on Risk Management and Internal Control. The Board is pleased to provide the following statement that is prepared in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (the “Guidelines”) endorsed by Bursa Securities which outlines the nature and scope of the risk management and internal controls of the Group during the financial year under review until the date of approval.

BOARD’S RESPONSIBILITY

The Board is committed to the continuous improvement of internal controls and risk management practices within the Group to meet its business objectives. The Board affirms its overall responsibility to maintain a sound system of internal controls and effective risk management, and for reviewing the adequacy, integrity and effectiveness of these systems to safeguard shareholders’ investment and the Group’s assets. It covers not only financial controls but operational and compliance controls, and risk management.

However, such systems, by their nature, can only provide reasonable, but not absolute, assurance against material misstatement, losses or fraud. These systems were designed to manage, rather than eliminate, the risk of failure to achieve business objectives of the Group.

RISK MANAGEMENT FRAMEWORK

In dealing with its stewardship responsibilities, the Board recognises that an effective risk management is part of good business management practice. The Board acknowledges that all areas of the Group’s activities involve some degree of risk and is committed to ensuring that the Group has an effective risk management framework which will allow the Group to be able to identify, evaluate, monitor and manage risks continuously that affect the achievement of the Group’s business objectives.

This process is regularly reviewed by the Board. It is intended that any key risk or significant control failings or weaknesses shall be identified and discussed in these reports including the impact they have had or may have on the Group and the actions to rectify them.

The key elements of the Group’s Risk Management Framework are described below:

- **Structure**

The Group adopts a decentralised approach to risk management which comprises strategic and operational risks (including financial and compliance risks).

Type of Risks	Accountability
> Strategic risk	The Board, Group Chief Executive Officer (“CEO”), Group Chief Financial Officer (“CFO”) and Group Chief Operating Officer (“COO”)
> Operational risk (including financial and compliance risks)	Senior Management and Head of Department

> **Strategic risks** are risks primarily caused by events that are external to the Group, but have a significant impact on its strategic decisions or activities. Accountability for managing strategic risks therefore rests with the Board, Group CEO and Group CFO. The benefit of effectively managing strategic risks is that the Group can better forecast and quickly adapt to the changing demands that are placed upon the Group. It also means that the Group is less likely to be affected by some external event that calls for significant change.

> **Operational risks, including financial and compliance risks**, are inherent in the on-going activities within the different subsidiaries of the Group. Typically, some of the risks cover foreign exchange, credit, competency, technology, etc. Senior management needs on-going assurance that these operational risks are identified and managed. Accountability for managing operational risks rests specifically with the respective Heads of Department.

Statement on Risk Management and Internal Control

RISK MANAGEMENT FRAMEWORK (CONT'D)

- **Risk Awareness Culture**

Risk awareness culture is reflected by the emphasis on strong corporate governance, organisational structure with clearly defined roles and responsibilities, effective communication and training, commitment to compliance with laws, regulations and internal controls, integrity in fiduciary responsibilities and clear policies, procedures and guidelines.

- **Risk Assessment**

Senior Management identifies and assesses risks from time-to-time based on business nature and objective. Senior Management reports regularly to the Board for any significant risk identified or control failure.

- **Risk Appetite**

The Group's risk appetite defines the amount and types of risk that the Group is able and willing to accept in pursuit of its business objectives. It also reflects the level of risk tolerance and limits set to govern, manage and control the Group's risk taking activities.

A clear Limit of Authority has been formalised to approve transactions to ensure that they are within the risk appetite of the Group.

INTERNAL CONTROL SYSTEM

The key elements of the Group's internal control system are described below:

- **Control Environment**

The importance of a proper control environment is emphasised throughout the organisation. Focus is directed towards the quality and abilities of the Group's employees with continuing education and training to enhance the skills of employees and reinforce qualities of professionalism and integrity. Such training also includes internal briefings and external seminars for selected employees to enhance the level of awareness and knowledge on matters relating to risk management and internal controls.

- **Code of Ethics and Code of Conduct**

The Code is the cornerstone of setting the proper tone at the top for the business's culture. The Board and Management have formalised it as the standard of expected ethical behaviour for the all employees. It spells out about workplace safety and health, bribery, equal opportunities, workplace environment, etc.

- **Organisational Structure**

The Group operates on a hierarchical organisation structure that defines the authority limits, lines of responsibility and reporting mechanism. All subsidiaries have clear accountabilities to ensure appropriate control procedures are in place.

Statement on Risk Management and Internal Control

INTERNAL CONTROL SYSTEM (CONT'D)

• Organisational Structure (Cont'd)

The key elements of the Group's organisational structure are as follows:

> Management

- **Policy and Procedures:** Management has implemented series of documented Policy and Procedures to govern the Group's key business processes. These policies and procedures deal with, amongst others, control issues for procurement, credit control, warehousing, information technology, health and safety, etc. These procedures are reviewed annually by Senior Management to ensure its relevancy.
- **Human Capital:** There are guidelines within the Group for hiring and termination of staff, formal training programmes for staff and annual performance appraisals to enhance the level of staff competency in carrying out their duties and responsibilities.
- **Safeguarding of Assets:** Adequate insurance and physical safeguarding of major assets are in place to ensure that they are sufficiently covered against any mishap that may result in material losses to the Group.
- **Related Party Transactions:** Internal control procedures are established to ensure that related party transactions are undertaken in compliance with the Group's practices, the Listing Requirements, and to ensure that these transactions are carried out on an arm's length basis and on normal commercial terms, which are in the best interest of the Group's stakeholders.
- **Whistle Blowing Policy:** The Board acknowledges the importance of a proper Whistle Blowing Policy and has implemented it during the current financial year. The policy provides an avenue for staff to raise concerns on any wrongdoing committed by the Group relating to mismanagement or abuse of authority, corruption, fraud, financial malpractices or any breach of laws and regulations. Additionally, it also provides for any complaint or report to be directly submitted to the Senior Management which comprises the Group CEO, Group CFO, Group COO and senior managers, should the whistle-blower believes that the Group is better served if the report was addressed to levels higher than Management.

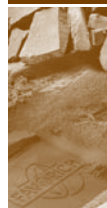
All concerns raised through the whistleblowing channels will be treated fairly and properly. The Whistle Blowing Policy also includes provisions to safeguard the confidentiality of the whistle-blower, ensure no retaliation of the whistle-blower if he or she has acted in good faith, and measures to avoid abuse of the policy for purposes of making false or malicious allegations.

- **Communication:** Information is communicated through circulars, emails, meetings and internal memos.
- **Site Visit:** Regular visits by the head office personnel to business units in remote location to ascertain compliance with the established Policy and Procedures of the Group by local management.
- **Management Meetings:** Regular meetings with the Heads of Departments provide a sound platform for the information communicate with, and provide feedback to and from, the Management.

> Internal Audit

The Group has outsourced its internal audit function to an independent consulting service provider (or the "internal auditors") which carries out its functions independently with risk-based approach and provides the Audit Committee and the Board with the assurance on the adequacy and effectiveness of the system of internal controls. The cost of outsourcing the internal audit function for the financial year ended 31 December 2013 was about RM39,000.

Any significant control lapses and/or deficiencies noted from the reviews will be documented and communicated to the Management for review and corrective actions. The internal auditors report to the Audit Committee all significant non-compliance, internal control weaknesses and actions taken by Management to resolve the audit issues identified.



Statement on Risk Management and Internal Control

INTERNAL CONTROL SYSTEM (CONT'D)

- **Organisational Structure (Cont'd)**

- > **Internal Audit (Cont'd)**

The internal auditors are solely responsible for planning, implementing and reporting the audits for the Group. The internal auditors:

- Prepare a detailed Internal Audit Plan in consultation with the senior management for submission to the Audit Committee for approval;
- Carry out all activities and conduct the audits in an effective, professional and timely manner;
- Report to the auditee upon completion of each audit for any significant control lapses and/or deficiencies noted from the reviews for their review and corrective actions; and
- Submit quarterly report to the Audit Committee for all significant non-compliance, internal control weaknesses and actions taken by Management to resolve the audit issues identified.

- > **Audit Committee**

The Audit Committee reviews, monitors and evaluates the effectiveness and adequacy of the Group's internal controls and financial and risk management issues raised by the external and internal auditors, regulatory authorities and Management. The review includes reviewing written reports from the internal and external auditors, to ensure that where deficiencies in internal controls have been identified; appropriate and prompt remedial action is taken by Management.

The Audit Committee also convenes meeting with external auditors without the presence of Management and Executive Directors. In addition, the Audit Committee reviews the adequacy of the scope, functions and competency of the internal and external auditors. The Audit Committee also reviews and evaluates the procedures established to ensure compliance with applicable legislation, the Listing Requirements and the Group's practices.

The Audit Committee Report as set out on pages 25 to 28 of this Annual Report contains further details on the activities undertaken by the Audit Committee during FY2013.

- > **Board**

The Board holds regular discussions with the Audit Committee and Management and considers their reports on matters relating to internal controls and deliberates on their recommendations for implementation.

- **Business Direction:** The Group's vision, mission, corporate philosophy and strategic direction have been formalised and communicated to employees at all levels. The Board retains control over the Group with appropriate management reporting mechanisms which enable the Board to review the Group's progress.
- **Reporting and Information:** Senior management reports to the Board for the strategic plans and business units' performances on a quarterly basis. The monitoring of individual business units' performances are conducted monthly, with major variances followed up and management action taken, where necessary.

Regular and comprehensive information are provided to Management, covering financial performance and key business indicators, key business risks, legal, environmental and regulatory matters. Regular meetings attended by Management, led by the Group CEO, are held to discuss the various aspects of the business, financial and operational performance of the Group. Key matters affecting the Group are brought to the attention of the Audit Committee and are reported to the Board on a regular basis. Management also ensures that it has the knowledge of key market information in respect of the Group's products/performance and takes pro-active measures, as appropriate, in the best interests of the Group.

- **Monitoring and Review:** There are processes for monitoring the system of internal controls and reporting any significant weaknesses together with details of corrective action. The system is reviewed on an on-going basis by the Board (through the Audit Committee), Management and internal auditors. Heads of Department are also actively involved in continually improving the control processes within their respective departments.

Statement on Risk Management and Internal Control

WEAKNESSES IN INTERNAL CONTROLS WHICH RESULTED IN MATERIAL LOSSES

There were no major weaknesses in internal controls which resulted in material losses during the financial year under review until the date of approval of this Statement.

ASSURANCE PROVIDED BY THE GROUP CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

In line with the Guidelines, the Group CEO and Group CFO have provided assurance to the Board that the Group's risk management and internal control systems have been operated adequately and effectively, in all material aspects, to meet the Group's business objectives during the financial year under review.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report. Their review was performed in accordance with the Recommended Practice Guide ("RPG") 5 issued by the Malaysian Institute of Accountants.

The external auditors have opined to the Board that nothing has come to their attention that causes them to believe that this Statement intended to be included in the annual report is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control : Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

RPG 5 does not require the external auditors to and they did not consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk manage and internal control system.

CONCLUSION

The Board has taken the necessary steps to ensure that appropriate systems are in place for the assets of the Group to be adequately safeguarded through the prevention and detection of fraud and other irregularities and material misstatements.

The Board is of the view that the risk management and internal control systems are satisfactory and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report save for those mentioned above. The Board continues to take pertinent measures to sustain and, where required, to improve the Group's risk management and internal control systems in meeting the Group's strategic objectives.

This Statement was approved by the Board on 17 April 2014.



Statement of Directors' Responsibilities

The Directors are responsible for the preparation of financial statements for each financial year. They are responsible for ensuring that these financial statements are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company and the results and cash flows of the Group and of the Company for the financial year then ended.

In preparing the financial statements, the Directors have adopted suitable accounting policies and applied them consistently, and made estimates and judgements which are reasonable and prudent. The financial statements have been prepared on a going-concern basis. It is the duty of the Directors to review the appropriateness of the basis before adopting the financial statements and present them before the AGM together with their Report and the Auditors' Report thereon.

The Directors are responsible for ensuring that proper accounting and other records are kept to sufficiently explain the transactions recorded. In preparing the financial statements, the Directors are required to exercise judgment to make certain estimates that are reasonable, prudent and relevant to be incorporated in the financial statements. The Directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

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Directors' **Report**

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services. The principal activities of its subsidiaries are disclosed in Note 8 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the year	4,326,753	5,983,499
Attributable to:		
Owners of the Company	3,414,479	5,983,499
Non-controlling interests	912,274	-
	<u>4,326,753</u>	<u>5,983,499</u>

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

Dividends paid or declared by the Company since the end of the previous financial year were as follows:

In respect of the financial year ended 31 December 2012:

- (i) Final tax-exempt single-tier dividend of 8% equivalent to 2.0 sen per ordinary share amounting to RM 9,525,472 was approved by the shareholders during the Annual General Meeting held on 26 June 2013 and subsequently paid on 26 July 2013. The payment was made to the shareholders whose names appeared in the Company's Record of Depositors on 12 July 2013.

In respect of the financial year ended 31 December 2013:

- (i) First interim tax-exempt single-tier dividend of 6% equivalent to 1.5 sen per ordinary share amounting to RM 7,144,107 was declared on 22 February 2013 and subsequently paid on 28 March 2013. The payment was made to the shareholders whose names appeared in the Company's Record of Depositors on 14 March 2013.
- (ii) Second interim tax-exempt single-tier dividend of 6% equivalent to 1.5 sen per ordinary share amounting to RM 7,144,106 was declared on 31 May 2013 and subsequently paid on 2 July 2013. The payment was made to the shareholders whose names appeared in the Company's Record of Depositors on 18 June 2013.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year save as disclosed in the financial statements.



ISSUES OF SHARES AND DEBENTURES

During the financial year:

- (i) there were no changes in authorised, issued and paid-up share capital of the Company ; and
- (ii) there were no issue of debentures by the Company.

TREASURY SHARES

As at 31 December 2013, the Company held 2,240,700 of its issued ordinary shares of RM 0.25 each ("GCB Shares") as treasury shares out of its 478,514,289 GCB Shares. Such treasury shares are held at a carrying amount of RM 5,194,748 and further details are disclosed in Note 15 to the financial statements.

WARRANTS

The main features of the Warrants are disclosed in Note 14 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares of the Company.

HOLDING COMPANY

The Company is a subsidiary of Guan Chong Resources Sdn. Bhd., a company incorporated in Malaysia, which is also regarded by the directors as the ultimate holding company.

DIRECTORS

The directors who served since the date of the last report are as follows:

Dato Dr. Mohamad Musa Bin Md. Jamil
Tay Hoe Lian
Tay How Sik @ Tay How Sick
Hia Cheng
Tay Puay Chuan
Tan Ah Lai

In accordance with Articles 81 of the Company's Articles of Association, Tay Hoe Lian and Dato Dr. Mohamad Musa Bin Md. Jamil, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Directors' Report

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares of the Company and its related corporations are as follows:

The Company

		Number Of Ordinary Shares Of RM 0.25 Each		
		Balance At 01.01.2013	Bought	Sold
				Balance At 31.12.2013
Dato Dr. Mohamad Musa Bin Md. Jamil	- Direct	105,999	-	-
	- Indirect ⁽¹⁾	31,099,999	-	(2,020,000)
Tay Hoe Lian	- Direct	12,819,691	-	-
	- Indirect ⁽²⁾	249,980,469	-	-
Tay How Sik @ Tay How Sick	- Direct	6,239,548	-	-
	- Indirect ⁽³⁾	60,000	-	-
Hia Cheng	- Direct	5,480,179	3,268,000	-
	- Indirect ⁽⁴⁾	9,531,999	109,800	-
Tay Puay Chuan		60,000	-	-

The Company

		Number Of Warrants		
		Balance At 01.01.2013	Entitled	Disposed
				Balance At 31.12.2013
Dato Dr. Mohamad Musa Bin Md. Jamil	- Indirect ⁽¹⁾	6,187,500	-	-
Tay Hoe Lian	- Direct	2,234,941	-	-
	- Indirect ⁽²⁾	46,815,012	-	-
Tay How Sik @ Tay How Sick	- Direct	982,471	-	-
	- Indirect ⁽³⁾	11,250	-	-
Hia Cheng	- Direct	211,908	-	-
	- Indirect ⁽⁴⁾	1,206,000	-	-
Tay Puay Chuan		11,250	-	-

Holding Company – Guan Chong Resources Sdn. Bhd. (“GCR”)

		Number Of Ordinary Shares Of RM 1.00 Each		
		Balance At 01.01.2013	Bought	Sold
				Balance At 31.12.2013
Tay Hoe Lian	- Direct	28,373	-	-
	- Indirect ⁽⁵⁾	2,375	-	-
Tay How Sik @ Tay How Sick		13,934	-	-
Hia Cheng		5,000	-	-

Notes:

- (1) Deemed interest by virtue of his shareholding in Misi Galakan Sdn. Bhd.
- (2) Deemed interest by virtue of his shareholding in GCR and his wife, Yap Kim Hong's shareholding in the Company.
- (3) Deemed interest by virtue of his daughter, Tay Jing Ye's shareholding in the Company.
- (4) Deemed interest by virtue of his wife, Wong Saow Lai's shareholding in the Company.
- (5) Deemed interest by virtue of his wife, Yap Kim Hong's shareholding in GCR.

By virtue of his interest in the shares of GCR, Mr. Tay Hoe Lian is also deemed to have an interest in the shares of all the subsidiaries of GCR to the extent that GCR has an interest.

Other than as disclosed above, none of the directors in office at the end of the financial year had any other interest in shares of the Company and its related corporations during the financial year.



DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors have received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salaries of full time employees of the Company as disclosed in Note 25 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest save as disclosed in Note 31 to the financial statements.

During and at the end of the financial year, no arrangements subsisted to which the Company was a party, whereby the directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

OTHER STATUTORY INFORMATION

- (a) Before the statements of financial position and statements of profit or loss and other comprehensive income of the Group and of the Company were made out, the directors took reasonable steps :
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts ; and
 - (ii) to ensure that any current assets, which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances :
 - (i) which would render the amount written off for bad debts or the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent ; or
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading ; or
 - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate ; or
 - (iv) not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (c) At the date of this report, there does not exist :
 - (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person ; or
 - (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.
- (d) In the opinion of the directors :
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due ; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.



Directors' Report

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events are disclosed in Note 34 to the financial statements.

SUBSEQUENT EVENT

Detail of subsequent event is disclosed in Note 35 to the financial statements.

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors:

TAY HOE LIAN
Director

TAY HOW SIK @ TAY HOW SICK
Director

Muar, Johor Darul Takzim
Date: 22 April 2014

Statement by Directors

We, the undersigned, being two of the directors of Guan Chong Berhad, do hereby state that, in the opinion of the directors, the financial statements set out on pages 44 to 114 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2013 and of the financial performance and cash flows of the Group and of the Company for the financial year ended on that date.

The supplementary information set out in Note 39 to the financial statements on page 115, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the directors :

TAY HOE LIAN
Director

Muar, Johor Darul Takzim
Date : 22 April 2014

TAY HOW SIK @ TAY HOW SICK
Director

Statutory Declaration

I, HIA CHENG, being the director primarily responsible for the financial management of Guan Chong Berhad, do solemnly and sincerely declare that the financial statements and supplementary information set out on pages 44 to 115 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared }
by the abovenamed HIA CHENG }
at Muar in the state of Johor Darul Takzim }
on 22 April 2014 }

Before me : **LIM PEI LING J238**
Commissioner for Oaths

HIA CHENG

Independent Auditors' Report

TO THE MEMBERS OF GUAN CHONG BERHAD (Incorporated In Malaysia) Company No : 646226 - K

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Guan Chong Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 44 to 114.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 8 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Independent Auditors' Report

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 39 on page 115 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No.: AF 1018
Chartered Accountants

Muar, Johor Darul Takzim
Date : 22 April 2014

Ng Kim Kiat
Approval No.: 2074/10/14 (J)
Chartered Accountant





Statements of Financial Position

AT 31 DECEMBER 2013

	Note	Group 2013 RM	2012 RM	Company 2013 RM	2012 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	5	403,612,441	312,266,004	-	-
Prepaid lease payments	6	13,028,938	13,075,301	-	-
Intangible assets	7	14,130,242	13,939,398	-	-
Investments in subsidiaries	8	-	-	48,607,865	48,607,865
Other receivables	10	-	-	109,236,409	111,373,871
Deferred tax assets	18	73,787	11,761	-	-
		430,845,408	339,292,464	157,844,274	159,981,736
Current Assets					
Inventories	9	849,959,920	524,610,471	-	-
Trade and other receivables	10	186,608,379	212,760,238	54,000	36,000
Prepayments and other assets	11	20,145,680	12,057,407	16,082	58,484
Derivatives	12	8,426,984	3,349,179	-	-
Deposits, bank and cash balances	13	27,442,423	52,230,996	69,197	3,514
		1,092,583,386	805,008,291	139,279	97,998
TOTAL ASSETS		1,523,428,794	1,144,300,755	157,983,553	160,079,734
EQUITY AND LIABILITIES					
Share capital	14	119,628,572	119,628,572	119,628,572	119,628,572
Treasury shares	15	(5,194,748)	(5,194,748)	(5,194,748)	(5,194,748)
Reserves	16	214,332,252	225,985,318	23,765,732	41,595,918
Equity Attributable to Owners of the Company		328,766,076	340,419,142	138,199,556	156,029,742
NON-CONTROLLING INTERESTS	8	4,907,593	3,905,319	-	-
TOTAL EQUITY		333,673,669	344,324,461	138,199,556	156,029,742
Non-Current Liabilities					
Loans and borrowings	17	121,298,047	112,361,054	-	-
Deferred tax liabilities	18	15,618,629	15,861,288	-	-
Post-employment benefits	19	463,985	360,477	-	-
		137,380,661	128,582,819	-	-
Current Liabilities					
Trade and other payables	20	217,808,504	142,427,691	19,783,997	4,049,992
Derivatives	12	12,642,421	3,842,482	-	-
Loans and borrowings	17	820,802,914	512,964,786	-	-
Tax payable		1,120,625	12,158,516	-	-
		1,052,374,464	671,393,475	19,783,997	4,049,992
TOTAL LIABILITIES		1,189,755,125	799,976,294	19,783,997	4,049,992
TOTAL EQUITY AND LIABILITIES		1,523,428,794	1,144,300,755	157,983,553	160,079,734

The annexed notes form an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
REVENUE	21	1,362,712,598	1,453,259,266	72,000	15,120,000
COST OF SALES		(1,299,330,018)	(1,288,932,471)	-	-
GROSS PROFIT		63,382,580	164,326,795	72,000	15,120,000
OTHER INCOME		26,739,485	58,446,939	6,575,563	2,069,196
SELLING AND DISTRIBUTION EXPENSES		(15,642,309)	(15,957,796)	-	-
ADMINISTRATIVE EXPENSES		(20,561,273)	(34,673,423)	(634,656)	(2,956,675)
OTHER EXPENSES		(32,957,934)	(9,670,144)	-	(12,439,365)
PROFIT FROM OPERATIONS		20,960,549	162,472,371	6,012,907	1,793,156
FINANCE COSTS	22	(13,089,333)	(12,193,516)	(54)	(166)
PROFIT BEFORE TAX	23	7,871,216	150,278,855	6,012,853	1,792,990
TAX EXPENSE	26	(3,544,463)	(30,411,940)	(29,354)	(5,316)
PROFIT FOR THE YEAR		4,326,753	119,866,915	5,983,499	1,787,674
OTHER COMPREHENSIVE INCOME					
<u>Items that may be reclassified subsequently to profit or loss</u>					
Foreign currency translation differences		8,746,140	(1,708,663)	-	-
OTHER COMPREHENSIVE INCOME		8,746,140	(1,708,663)	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		13,072,893	118,158,252	5,983,499	1,787,674
PROFIT AFTER TAX ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY		3,414,479	118,981,671	5,983,499	1,787,674
NON-CONTROLLING INTERESTS		912,274	885,244	-	-
		4,326,753	119,866,915	5,983,499	1,787,674
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY		12,160,619	117,273,008	5,983,499	1,787,674
NON-CONTROLLING INTERESTS		912,274	885,244	-	-
		13,072,893	118,158,252	5,983,499	1,787,674
EARNINGS PER ORDINARY SHARE	27				
- Basic (Sen)		0.72	24.98		
- Diluted (Sen)		0.69	23.75		

The annexed notes form an integral part of these financial statements.

Group



Statements of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Group	Note	Attributable to Owners of The Company					
		Share Capital	Treasury Shares	Foreign Currency Translation Reserve	Retained Profits	Shareholders' Equity	Total Equity
		RM	RM	RM	RM	RM	RM
At 1 January 2013		119,628,572	(5,194,748)	(720,220)	226,705,538	340,419,142	344,324,461
Profit for the year		-	-	-	3,414,479	3,414,479	4,326,753
Other comprehensive income for the year:							
- Foreign currency translation differences		-	-	8,746,140	-	8,746,140	8,746,140
Total comprehensive income for the year		-	-	8,746,140	3,414,479	12,160,619	13,072,893
Dividends to owners of the Company	28	-	-	-	(23,813,685)	(23,813,685)	(23,813,685)
Incorporation of subsidiaries		-	-	-	-	-	90,000
Total transactions with owners		-	-	-	(23,813,685)	(23,813,685)	(23,723,685)
At 31 December 2013		119,628,572	(5,194,748)	8,025,920	206,306,332	328,766,076	333,673,669

The annexed notes form an integral part of these financial statements.

Group

Attributable to Owners of The Company

Non-Distributable — Distributable —

	Note	Share Capital RM	Treasury Shares RM	Share Premium RM	Foreign Currency Translation Reserve RM	Retained Profits RM	Shareholders' Equity RM	Non-controlling Interests RM	Total Equity RM
At 1 January 2012		79,935,565	(5,194,748)	3,894	1,460,963	185,739,434	261,945,108	6,347,669	268,292,777
Profit for the year		-	-	-	-	118,981,671	118,981,671	885,244	119,866,915
Other comprehensive income for the year:									
- Foreign currency translation differences		-	-	-	(1,708,663)	-	(1,708,663)	-	(1,708,663)
Total comprehensive income for the year		-	-	-	(1,708,663)	118,981,671	117,273,008	885,244	118,158,252
Bonus issue		39,689,432	-	(28,919)	-	(39,660,513)	-	-	-
Conversion of warrants	14	3,575	-	25,025	-	-	28,600	-	28,600
Dividends to owners of the Company	28	-	-	-	-	(38,101,004)	(38,101,004)	-	(38,101,004)
Acquisition of subsidiaries		-	-	-	(436,020)	-	(436,020)	-	(436,020)
Changes in ownership interest in subsidiaries that do not result in a loss of control		-	-	-	(36,500)	(254,050)	(290,550)	(3,327,594)	(3,618,144)
Total transactions with owners		39,693,007	-	(3,894)	(472,520)	(78,015,567)	(38,798,974)	(3,327,594)	(42,126,568)
At 31 December 2012		119,628,572	(5,194,748)	-	(720,220)	226,705,538	340,419,142	3,905,319	344,324,461

The annexed notes form an integral part of these financial statements.

Statements of Changes in Equity



Statements of Changes in Equity

Company	Note	Attributable to Owners of The Company					Total Equity RM
		Share Capital RM	Treasury Shares RM	Non-Distributable Share Premium RM	Distributable – Retained Profits RM		
	At 1 January 2012	79,935,565	(5,194,748)	3,894	117,569,761	192,314,472	
	Total comprehensive income for the year	-	-	-	1,787,674	1,787,674	
	Dividends	-	-	-	(38,101,004)	(38,101,004)	
	Bonus issue	39,689,432	-	(28,919)	(39,660,513)	-	
	Conversion of warrants	3,575	-	25,025	-	28,600	
	At 31 December 2012	119,628,572	(5,194,748)	-	41,595,918	156,029,742	
	Total comprehensive income for the year	-	-	-	5,983,499	5,983,499	
	Dividends	-	-	-	(23,813,685)	(23,813,685)	
	At 31 December 2013	119,628,572	(5,194,748)	-	23,765,732	138,199,556	

The annexed notes form an integral part of these financial statements.

Statements of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	7,871,216	150,278,855	6,012,853	1,792,990
Adjustments for:				
Allowance for obsolete inventories	70,889	-	-	-
Amortisation of intangible assets	147,996	148,000	-	-
Amortisation of prepaid lease payments	863,140	540,667	-	-
Bad debts written off	10,596	30,749	-	-
Depreciation	20,393,624	15,429,855	-	-
Dividend income	-	-	-	(15,000,000)
Impairment loss on investment in subsidiary	-	-	-	4,870,001
Impairment loss on intangible assets	64,050	-	-	-
Impairment loss on trade and other receivables	685,829	384,986	-	7,373,292
Impairment loss on property, plant and equipment	-	2,542,638	-	-
Inventories written off	15,666	-	-	-
(Gain) on disposal of property, plant and equipment	(139,160)	(163,466)	-	-
Net fair value loss on derivatives	4,342,261	783,072	-	-
Net employee benefit expenses	159,410	374,914	-	-
Property, plant and equipment loss on theft	-	2,283	-	-
Property, plant and equipment written off	-	4,565	-	-
Reversal of impairment on trade receivables	-	(305,700)	-	-
Sub-lease rental	-	259,191	-	-
Unrealised (gain)/loss on foreign exchange	(537,612)	1,010,930	(1,922,914)	(2,069,196)
Write-down of inventories	43,580,160	6,931,188	-	-
Interest expense	10,613,303	9,056,436	-	-
Interest income	(698,530)	(291,087)	-	-
OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES	87,442,838	187,018,076	4,089,939	(3,032,913)
Changes In Working Capital				
Inventories	(369,016,164)	(62,004,209)	-	-
Trade and other receivables, prepayments and other assets	47,572,033	(41,461,368)	4,042,376	49,698,550
Trade and other payables	72,449,915	(33,848,335)	15,734,005	2,483,875
CASH (ABSORBED INTO)/GENERATED FROM OPERATIONS	(161,551,378)	49,704,164	23,866,320	49,149,512
Dividends received	-	-	-	15,000,000
Interest paid	(10,613,303)	(9,056,436)	-	-
Interest received	698,530	291,087	-	-
Tax paid	(30,561,623)	(26,667,044)	(30,354)	(18,316)
Tax refund	1,719,608	-	43,402	-
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(200,308,166)	14,271,771	23,879,368	64,131,196
FORWARD	(200,308,166)	14,271,771	23,879,368	64,131,196

The annexed notes form an integral part of these financial statements.

Statements of Cash Flows

		Group		Company	
	Note	2013 RM	2012 RM	2013 RM	2012 RM
FORWARD		(200,308,166)	14,271,771	23,879,368	64,131,196
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from issuance of new shares in subsidiary		90,000	100,000	-	-
Acquisition of subsidiaries, net of cash and cash equivalents acquired	29	-	(14,289,373)	-	(13,359,403)
Proceeds from disposal of property, plant and equipment		210,035	424,160	-	-
Purchase of property, plant and equipment	5(c)	(101,243,116)	(91,656,517)	-	-
Payment of sub-leases of warehouses		(123,738)	(123,738)	-	-
Additions of prepaid lease payments		(25,092)	(6,917,030)	-	-
NET CASH (USED IN) INVESTING ACTIVITIES		(101,091,911)	(112,462,498)	-	(13,359,403)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from exercise of warrants		-	28,600	-	28,600
Net increase in fixed deposit pledged		(68,075)	(650,265)	-	-
Net movements in short-term borrowings		263,097,784	68,810,524	-	-
Repayment of hire purchase payables		(312,479)	(359,153)	-	-
Repayment of term loans		(15,946,280)	(42,663,690)	-	-
Dividends paid		(23,813,685)	(50,801,066)	(23,813,685)	(50,801,066)
Dividend paid to non-controlling interest by subsidiary		(325,652)	-	-	-
Drawdown of term loan		58,449,311	162,422,971	-	-
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		281,080,924	136,787,921	(23,813,685)	(50,772,466)
EFFECT OF FOREIGN EXCHANGE TRANSLATION		(5,592,433)	87,586	-	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(25,911,586)	38,684,780	65,683	(673)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		51,166,844	12,482,064	3,514	4,187
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	30	25,255,258	51,166,844	69,197	3,514

The annexed notes form an integral part of these financial statements.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013



1. GENERAL INFORMATION

The Company was incorporated in Malaysia as a public limited liability company. It is domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office and principal place of business are as follows:

- Registered office : No. 7 (1st Floor), Jalan Pesta 1/1
Taman Tun Dr. Ismail 1
Jalan Bakri
84000 Muar
Johor Darul Takzim
- Principal place of business : PLO 273, Jalan Timah 2
Kawasan Perindustrian Pasir Gudang
81700 Pasir Gudang
Johor Darul Takzim

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 22 April 2014.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services. The principal activities of its subsidiaries are disclosed in Note 8. There have been no significant changes in the nature of these principal activities during the financial year.

3. HOLDING COMPANY

The Company is a subsidiary of Guan Chong Resources Sdn. Bhd., a company incorporated in Malaysia, which is also regarded by the directors as the ultimate holding company.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of Preparation of Financial Statements

- The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.
- The financial statements of the Group and of the Company have been prepared on the historical cost convention unless otherwise disclosed in the summary of significant accounting policies.
- The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires directors to exercise their judgement in the process of applying the Group and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's and the Company's financial statements are disclosed in Note 4.5.

- The financial statements of the Group and of the Company are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest RM, unless otherwise stated.

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Summary of Significant Accounting Policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in profit or loss.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries made up to 31 December 2013.

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred included the fair value of any asset or liability resulting from a contingent considerations arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

Non-controlling interests

Non-controlling interests are presented within equity in the consolidated statements of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

At the end of each reporting period, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Summary of Significant Accounting Policies (Cont'd)

(a) Subsidiaries and basis of consolidation (Cont'd)

(ii) Basis of consolidation (Cont'd)

Changes in ownership interests in subsidiaries without change of control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

Loss of control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary ; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139.

(b) Foreign currency

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(ii) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary assets and liabilities or on translating monetary assets and liabilities at the reporting date are recognised in profit or loss except for exchange differences arising on monetary assets and liabilities that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Summary of Significant Accounting Policies (Cont'd)

(b) Foreign currency (Cont'd)

(ii) Foreign currency transactions (Cont'd)

Exchange differences arising on the translation of non-monetary assets and liabilities carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary assets and liabilities in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary assets and liabilities are also recognised directly in equity.

(iii) Foreign operations

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the reporting date. Revenues and expenses of foreign operations are translated at exchange rates ruling at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period except for those business combinations that occurred before the date of transition (1 January 2011) which are treated as assets and liabilities of the Company and are not retranslated.

(c) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

When a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment if the recognition criterias are met. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 4.2(f).

Leased assets are depreciated over the shorter of the lease term and their useful lives. Capital work-in-progress is not depreciated until the asset is ready for its intended use.

Depreciation of other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Leasehold land and building	43-60 years
Freehold property	30 years
Factory buildings and renovation	5-60 years
Plant, machinery, tools and equipment	5.0-12.5%
Motor vehicles	16.0-20.0%
Furniture, fittings and office equipment	5.0-40.0%

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Summary of Significant Accounting Policies (Cont'd)

(c) Property, plant and equipment and depreciation (Cont'd)

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each reporting date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

(d) Leases

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to the ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased assets, or if lower, at the present value of the minimum lease payments. Any initial direct costs are added to the amount capitalised. Lease payments shall be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

Leased asset is depreciated over its useful life except when there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. In such case, the asset is depreciated over the shorter of the lease term and its useful life.

Leases that do not transfer substantially all the risks and rewards are classified as operating lease. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease.

(e) Intangible assets

(i) Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Summary of Significant Accounting Policies (Cont'd)

(e) Intangible assets (Cont'd)

(ii) Technical know-how

Such technical know-how are recognised at their fair values at the acquisition date and subsequently carried at cost (i.e. the fair values at initial recognition) less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method over their estimated useful lives of up to 20 years.

Technical know-how with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the acquired technical know-how may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Technical know-how with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstance indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such technical know-how are not amortised. The useful life of technical know-how with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of technical know-how are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(iii) Clientele lists

Clientele lists are recognised at their fair values at the acquisition date and subsequently carried at cost (i.e. the fair values at initial recognition) less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method over their estimated useful lives of up to 10 years.

(f) Impairment of non-financial assets

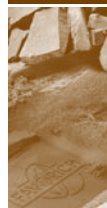
The carrying values of assets, other than those to which MFRS 136 : Impairment of Assets does not apply, are reviewed at each reporting date for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of an asset is the higher of the asset's fair value less cost to sell and its value-in-use, which is measured by reference to discounted future cash flow using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

An impairment loss is recognised in profit or loss.

At each reporting date, an assessment is made as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased.

In respect of assets other than goodwill, when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

Notes to the Financial Statements



4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Summary of Significant Accounting Policies (Cont'd)

(g) Inventories

Inventories comprising raw materials, work-in-progress, finished goods, stores and supplies are stated at the lower of cost and net realisable value. Cost is determined on the specific identification, first-in-first-out or weighted average bases, as applicable.

The costs of raw materials, stores and supplies comprise the original purchase price plus costs incurred in bringing the inventories to their present location whilst the costs of work-in-progress and finished goods include the costs of raw materials, packing materials, direct labour and an appropriate proportion of production overheads based on normal operating capacity.

Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

Where necessary, due allowance is made for all damaged, obsolete and slow-moving items.

(h) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When the financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the management has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

(iii) Loans and receivables

Financial assets that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Summary of Significant Accounting Policies (Cont'd)

(h) Financial assets (Cont'd)

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at each reporting date. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using effective interest method, which are recognised in profit or loss. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instruments are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

A financial asset is derecognised where the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date the Group and the Company commit to purchase or sell the asset.

(i) Impairment of financial assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, deposits with banks and highly liquid investments that are readily convertible to cash with insignificant risks of changes in value with original maturity periods of three months or less, net of outstanding bank overdrafts and deposit pledged with financial institution, if any.



4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Summary of Significant Accounting Policies (Cont'd)

(k) Equity instruments

Instruments classified as equity are measured at cost and are not remeasured subsequently.

(i) Ordinary shares

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(ii) Treasury shares

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

Where such shares are subsequently sold or reissued, any consideration received, net of any direct costs, is included in equity.

(l) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

(ii) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Summary of Significant Accounting Policies (Cont'd)

(m) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying assets are capitalised as part of the cost of those assets, until such time that the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they are incurred.

Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(o) Revenue and other operating income recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(i) Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment are established.

(ii) Management fee income

Management fee income from subsidiaries is recognised on accrual basis upon services rendered.

(iii) Sale of goods

Revenue from sale of goods is measured at the fair value of the consideration received or receivable and is recognised when the significant risks and rewards of ownership have been transferred to the buyers.

(iv) Rental income

Rental income is recognised on accrual basis unless collectability is in doubt, in which case the recognition of such income is suspended. Subsequent to suspension, income is recognised on the receipt basis until all arrears have been paid.

(v) Interest income

Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

(p) Research and development expenditure

Research and development expenditure is charged to the profit or loss in the financial year in which it is incurred except insofar as it relates to a clearly defined project which the benefits therefrom can reasonably be regarded as assured. Expenditure so deferred is limited to the value of the future benefit and is stated at cost incurred less grants received, if any. Such deferred expenditure shall be amortised through the profit or loss over the period of the project, upon commencement of commercial production.

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Summary of Significant Accounting Policies (Cont'd)

(q) Income taxes

Income tax for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted or substantively enacted by the reporting date and any adjustment to tax payables in respect of previous financial year.

Deferred tax is recognised using the liability method, on temporary differences arising as at reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, carry forward unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, and the carry forward of unused tax losses and unused tax credits can be utilised, except those arise from initial recognition of an asset or liability in a transaction which is not a business combination at the time of the transaction, affects neither accounting profit nor taxable profit. The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

(r) Employee benefits

(i) Short-term benefits

Wages, salaries, paid annual leave, paid sick leave, bonuses, social security contributions ("SOCSSO") and non-monetary benefits are measured on an undiscounted basis and are recognised as expenses in the profit or loss in the period in which the associated services are rendered by employees of the Group.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the profit or loss as incurred.

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Summary of Significant Accounting Policies (Cont'd)

(r) Employee benefits (Cont'd)

(iii) Post-employment benefit plans

As a result of MFRS 119 (2011), Employee Benefits, the Group has changed its accounting policy in respect of the basis for determining the income or expense relating to its post employment benefit plans.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Previously, the Group determined interest income on plan assets based on their long-term rate of expected return.

Net interest expense and other expenses relating to defined plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(t) Related parties

A party is related to an entity (referred to as the "reporting entity") if:

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Summary of Significant Accounting Policies (Cont'd)

(t) Related parties (Cont'd)

- (b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
 - (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(u) Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:

- Level 1 : Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date ;
- Level 2 : Inputs are 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.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Changes in Accounting Policies and Effects Arising from Adoption of New/Revised Malaysian Financial Reporting Standards ("MFRSs")

The accounting policies adopted are consistent with those of the previous financial year excepts as follows:

During the current financial year, the Group and the Company has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):

MFRSs and IC Interpretations (including the Consequential Amendments)

MFRS 10	:	Consolidated Financial Statements
MFRS 11	:	Joint Arrangements
MFRS 12	:	Disclosure of Interests in Other Entities
MFRS 13	:	Fair Value Measurement
MFRS 119 (2011)	:	Employee Benefits
MFRS 127 (2011)	:	Separate Financial Statements
MFRS 128 (2011)	:	Investments in Associates and Joint Ventures
Amendments to MFRS 7	:	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10, MFRS 11 and MFRS 12	:	Transition Guidance
IC Interpretation 20	:	Stripping Costs in the Production Phase of a Surface Mine

Annual Improvements to MFRSs 2009 – 2011 Cycle

The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Group's and the Company's financial statements except as follows:

(a) MFRS 10 and Amendments to MFRS 10 : Transition Guidance

MFRS 10 replaces the consolidation guidance in MFRS 127 and IC Interpretation 112. Under MFRS 10, there is only one basis for consolidation, which is control. Extensive guidance has been provided in the standard to assist in the determination of control. There is no impact on the financial statements of the Group upon its initial application.

(b) MFRS 12 and Amendments to MFRS 12 : Transition Guidance

MFRS 12 is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. MFRS 12 is a disclosure standard and requires extensive disclosures of which the additional disclosures are disclosed in Note 8 to the financial statements.

(c) MFRS 119 (2011) : Employee Benefits

MFRS 119 (2011) changes the accounting for defined benefit plans and termination benefits. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of MFRS 119 and accelerate the recognition of past service costs. The amendments also require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. There is no material impact on the financial statements of the Group upon its initial application.

(d) Amendments to MFRS 7 : Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to MFRS 7 (Disclosures – Offsetting Financial Assets and Financial Liabilities) require disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The impacts on the financial statements of the Group upon its initial application are disclosed in Note 37(d) to the financial statements.

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Changes in Accounting Policies and Effects Arising from Adoption of New/Revised Malaysian Financial Reporting Standards ("MFRSs") (Cont'd)

(e) Annual Improvements to MFRSs 2009 – 2011 Cycle

The Annual Improvements to MFRSs 2009 – 2011 Cycle contain amendments to MFRS 1, MFRS 101, MFRS 116, MFRS 132 and MFRS 134. These amendments have no material impact on the financial statements of the Group upon their initial application.

4.4 Malaysian Financial Reporting Standards ("MFRSs"), Amendments and Issues Committee ("IC") Interpretations that are Not Yet Effective

The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year.

MFRSs and IC Interpretations (including the Consequential Amendments)		Effective date
MFRS 9 (2009)	: Financial Instruments	To be announced by MASB
MFRS 9 (2010)	: Financial Instruments	
MFRS 9	: Financial Instruments (Hedge Accounting and Amendments to MFRS 7, MFRS 9 and MFRS 139)	
Amendments to MFRS 9 and MFRS 7	: Mandatory Effective Date of MFRS 9 and Transition Disclosures	
Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011)	: Investment Entities	1 January 2014
Amendments to MFRS 119	: Defined Benefit Plans – Employee Contributions	1 July 2014
Amendments to MFRS 132	: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 136	: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139	: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21	: Levies	1 January 2014
Annual Improvements to MFRSs 2010 – 2012 Cycle		1 July 2014
Annual Improvements to MFRSs 2011 – 2013 Cycle		1 July 2014

The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations except as follows:

(a) MFRS 9 (2009), MFRS 9 (2010) and Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures

MFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Subsequently, this MFRS 9 was amended in year 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition (known as MFRS 9 (2010)). Generally, MFRS 9 replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 divides all financial assets into 2 categories – those measured at amortised cost and those measured at fair value, based on the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the MFRS 139 requirement. An entity choosing to measure a financial liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss. There will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Malaysian Financial Reporting Standards ("MFRSs"), Amendments and Issues Committee ("IC") Interpretations that are Not Yet Effective (Cont'd)

(b) Amendments to MFRS 132 : Offsetting Financial Assets and Financial Liabilities

The amendments to MFRS 132 provide the application guidance for criteria to offset financial assets and financial liabilities. There will be no material impact on the financial statement of the Group upon its initial application.

(c) Amendments to MFRS 136 : Recoverable Amount Disclosures for Non-financial Assets

The amendments to MFRS 136 remove the requirement to disclose the recoverable amount where a cash-generating unit (CGU) contains goodwill or intangible assets with indefinite useful lives but there has been no impairment. Therefore, there will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

(d) Annual Improvements to MFRSs 2010 – 2012 Cycle

The Annual Improvements to MFRSs 2010 – 2012 Cycle contain amendments to MFRS 2, MFRS 3, MFRS 8, MFRS 13, MFRS 116, MFRS 124 and MFRS 138. These amendments are expected to have no material impact on the financial statements of the Group upon their initial application.

(e) Annual Improvements to MFRSs 2011 – 2013 Cycle

The Annual Improvements to MFRSs 2011 – 2013 Cycle contain amendments to MFRS 1, MFRS 3, MFRS 13 and MFRS 140. These amendments are expected to have no material impact on the financial statements of the Group upon their initial application.

4.5 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group and the Company accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:

(a) Depreciation of property, plant and equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group and the Company recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

(c) Impairment of non-financial assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

Notes to the Financial Statements



4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Critical Accounting Estimates and Judgements (Cont'd)

(d) Write-down of inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(e) Impairment of trade and other receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trend and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying amount of receivables.

(f) Classification of leasehold land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

(g) Impairment of intangible asset

Intangible asset is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which intangible asset is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of intangible asset.

(h) Fair value estimates for certain financial assets and liabilities

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

5. PROPERTY, PLANT AND EQUIPMENT

Group - 2013

	Leasehold land and building RM	Freehold property RM	Factory buildings and renovation RM	Plant, machinery, tools and equipment RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Capital work-in- progress RM	Total RM
At Cost								
At 1 January 2013	13,955,593	3,983,195	75,623,039	273,102,416	10,049,914	7,268,399	23,445,702	407,428,258
Additions	350,842	-	31,748,567	8,286,347	2,809,716	2,281,199	52,713,995	98,190,666
Disposals	-	-	-	-	(602,000)	(2,950)	-	(604,950)
Reclassifications	16,950,637	-	730,934	31,974,243	-	3,987,212	(53,643,026)	-
Foreign exchange differences	-	283,304	4,816,417	9,626,903	255,070	175,925	-	15,157,619
At 31 December 2013	31,257,072	4,266,499	112,918,957	322,989,909	12,512,700	13,709,785	22,516,671	520,171,593
Less : Accumulated Depreciation								
At 1 January 2013	649,674	133,856	8,604,956	76,604,489	3,951,942	2,674,699	-	92,619,616
Charge for the year	399,418	137,437	2,882,864	14,453,672	1,631,982	888,251	-	20,393,624
Disposals	-	-	-	-	(533,160)	(915)	-	(534,075)
Foreign exchange differences	-	14,937	264,524	1,140,479	92,508	24,901	-	1,537,349
At 31 December 2013	1,049,092	286,230	11,752,344	92,198,640	5,143,272	3,586,936	-	114,016,514
Less : Impairment Loss								
At 1 January 2013	-	-	-	2,542,638	-	-	-	2,542,638
Impairment	-	-	-	-	-	-	-	-
At 31 December 2013	-	-	-	2,542,638	-	-	-	2,542,638
Carrying Amount								
At 31 December 2013	30,207,980	3,980,269	101,166,613	228,248,631	7,369,428	10,122,849	22,516,671	403,612,441



Notes to the Financial Statements



5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group - 2012

At Cost	Leasehold land and building RM	Freehold property RM	Factory buildings and renovation RM	Plant, machinery, tools and equipment RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Capital work-in- progress RM	Total RM
At 1 January 2012	3,929,279	4,127,127	63,938,651	184,869,342	8,004,389	4,845,831	40,325,182	310,039,801
Additions	10,026,314	-	12,624,300	37,939,589	2,841,194	2,393,260	29,346,578	95,171,235
Acquisition of a subsidiary	-	-	51,986	8,553,663	104,116	86,820	-	8,796,585
Disposals	-	-	-	(1,076,724)	(836,315)	-	-	(1,913,039)
Reclassifications	-	-	303,300	45,922,758	-	-	(46,226,058)	-
Write off	-	-	(346)	-	-	(22,854)	-	(23,200)
Foreign exchange differences	-	(143,932)	(1,294,852)	(3,106,212)	(63,470)	(34,658)	-	(4,643,124)
At 31 December 2012	13,955,593	3,983,195	75,623,039	273,102,416	10,049,914	7,268,399	23,445,702	407,428,258
Less : Accumulated Depreciation								
At 1 January 2012	388,730	-	6,369,816	61,058,607	3,230,426	2,162,902	-	73,210,481
Charge for the year	260,944	135,239	2,283,553	10,925,582	1,318,849	505,688	-	15,429,855
Acquisition of a subsidiary	-	-	1,951	5,784,742	22,559	25,660	-	5,834,912
Disposals	-	-	-	(1,049,657)	(602,688)	-	-	(1,652,345)
Write off	-	-	(206)	-	-	(16,146)	-	(16,352)
Foreign exchange differences	-	(1,383)	(50,158)	(114,785)	(17,204)	(3,405)	-	(186,935)
At 31 December 2012	649,674	133,856	8,604,956	76,604,489	3,951,942	2,674,699	-	92,619,616
Less : Impairment Loss								
At 1 January 2012	-	-	-	-	-	-	-	-
Impairment	-	-	-	2,542,638	-	-	-	2,542,638
At 31 December 2012	-	-	-	2,542,638	-	-	-	2,542,638
Carrying Amount								
At 31 December 2012	13,305,919	3,849,339	67,018,083	193,955,289	6,097,972	4,593,700	23,445,702	312,266,004

Notes to the Financial Statements

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) The carrying amount of property, plant and equipment charged against banking facilities (Note 17) are as follows:

	Group	
	2013 RM	2012 RM
Leasehold land and building	28,496,286	11,476,984
Freehold property	3,980,269	3,849,339
Plant, machinery, tools and equipment	1,222,480	15,604
	33,699,035	15,341,927

(b) Motor vehicles of the Group with carrying amount of RM 1,537,626 (2012 : RM 1,641,127) are acquired under finance leases (Note 17).

(c) Purchases of property, plant and equipment are as follows:

	Group	
	2013 RM	2012 RM
Aggregate cost of property, plant and equipment	98,190,666	95,171,235
Finance via hire purchase	(607,400)	(518,500)
Unpaid balance included in sundry payables (Note 20(b))	(3,081,970)	(6,741,820)
Cash paid in respect of acquisitions in previous year	6,741,820	3,745,602
Cash paid during the financial year	101,243,116	91,656,517

(d) In previous financial year, the Group carried out a review on property, plant and equipment for idle production capacity. An impairment loss of RM 2,542,638 representing the write-down of certain property, plant and equipment to recoverable amount was recognised in profit or loss as disclosed in Note 23 to the financial statements. The recoverable amount of property, plant and equipment is determined based on the fair values less costs to sell which was obtained from independent market quotes.

(e) There is no property, plant and equipment in the Company throughout the current and previous financial years.

6. PREPAID LEASE PAYMENTS

	Group	
	2013 RM	2012 RM
At 1 January	13,075,301	7,016,745
Add : Payment for sub-leases	123,738	123,738
Additions	25,092	6,917,030
	13,224,131	14,057,513
Less : Amortisation of prepaid lease payments	(603,949)	(540,667)
Sub-lease rental	(259,191)	(259,191)
Foreign exchange difference	667,947	(182,354)
At 31 December	13,028,938	13,075,301
Analysed as:		
Sub-leases of warehouse	1,219,058	1,354,511
Leasehold land	11,809,880	11,720,790
At 31 December	13,028,938	13,075,301

Leasehold land of the Group with carrying amount of RM 1,931,919 (2012 : RM 2,104,927) are charged against banking facilities (Note 17).

Notes to the Financial Statements

7. INTANGIBLE ASSETS

	Group	
	2013 RM	2012 RM
Goodwill (Note a)	12,650,288	12,247,398
Technical know-how (Note b)	863,600	914,400
Clientele list (Note c)	616,354	777,600
	14,130,242	13,939,398
(a) Goodwill		
Cost		
At 1 January	12,247,398	755,548
Adjustment *	402,890	(50,243)
Acquisition of subsidiaries	-	11,542,093
At 31 December	12,650,288	12,247,398
(b) Technical know-how		
Cost		
At 1 January	1,016,000	1,016,000
Additions	-	-
At 31 December	1,016,000	1,016,000
Accumulated Amortisation		
At 1 January	101,600	50,800
Amortisation	50,800	50,800
At 31 December	152,400	101,600
Carrying Amount	863,600	914,400

2013

* Being adjustment to purchase price due to the surplus above the Expected Net Assets Value of Carlyle Cocoa Co., LLC pursuant to the Membership Interest Purchase Agreement entered on 26 December 2012.

2012

* Being adjustment to purchase price due to the shortfall below the Expected Net Asset Value of the audited accounts of Specialty Chocolates Sdn. Bhd. pursuant to the Sales and Purchase Agreement entered on 31 March 2010.

Notes to the Financial Statements

7. INTANGIBLE ASSETS (CONT'D)

	Group	
	2013 RM	2012 RM
(c) Clientele list		
Cost		
At 1 January	972,000	972,000
Additions	-	-
At 31 December	972,000	972,000
Accumulated Amortisation		
At 1 January	194,400	97,200
Amortisation	97,196	97,200
At 31 December	291,596	194,400
Accumulated Impairment Loss		
At 1 January	-	-
Impairment [^]	64,050	-
At 31 December	64,050	-
Carrying Amount	616,354	777,600

[^] During the financial year, an impairment loss of RM 64,050 (2012 : RM NIL) was recognised in profit or loss to write-down the carrying amount of clientele list for acquired clients who have no more business dealings.

Impairment testing

The recoverable amount of the intangible assets is higher than its carrying amount and was based on its value in use.

Value in use was determined by discounting the future cash flows generated from the continuing operation of the subsidiaries and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and financial budgets approved by management covering a 5 years business plan.
- The units will continue their operations indefinitely.
- A discount rate of 5.8% (2012 : 8.5%) was applied.
- Growth rate is determined based on the management's estimate of the industry trends and past performances.

The key assumptions represent management assessment of future trends in their respective cocoa-related business and are based on both external sources and internal sources (historical data).

8. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013 RM	2012 RM
At Cost		
Unquoted shares	56,452,867	56,452,867
Accumulated Impairment Loss		
At 1 January	7,845,002	2,975,001
Addition during the financial year	-	4,870,001
At 31 December	7,845,002	7,845,002
	48,607,865	48,607,865

Notes to the Financial Statements

8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(a) The details of subsidiaries and the equity interest held by the Company are shown as below:

Name of Subsidiary	Principal Activities	Country Of Incorporation	Equity Interest	
			2013	2012
Guan Chong Cocoa Manufacturer Sdn. Bhd.	Producing cocoa-derived food ingredients.	Malaysia	100%	100%
Guan Chong Trading Sdn. Bhd.	Dormant.	Malaysia	100%	100%
Enrich Mix Sdn. Bhd. ("EM")	Producing blended cocoa-derived food ingredients.	Malaysia	51%	51%
GCB Foods Sdn. Bhd.	Manufacturing, marketing and promotion of cocoa related products.	Malaysia	100%	100%
GCB Marketing Sdn. Bhd.	Marketing and promotion activities of chocolate related products and confectionaries.	Malaysia	100%	100%
GCB Specialty Chocolates Sdn. Bhd. ("GCBSC")	Manufacturing, marketing and promotion of cocoa related products.	Malaysia	90%	90%
GCB America, Inc ("GCBA") #	Purchases and distributes of cocoa-derived food ingredients and investment holding.	United States of America	100%	100%
Cocoarich Sdn. Bhd. ("CSB")	Investment holding.	Malaysia	100%	100%
GCB Oversea Holdings Corporation *	Investment holding.	Federal Territory of Labuan, Malaysia	100%	100%
Subsidiaries Of GCB Oversea Holdings Corporation				
GCB Cacao GmbH #	Dormant.	Germany	100%	100%
GCB Cocoa Singapore Pte. Ltd. ("GCS") ^	Trading of cocoa beans, cocoa-derived food ingredients and cocoa products.	Singapore	100%	100%
Subsidiary Of GCS				
PT Asia Cocoa Indonesia ("ACI") ^	Manufacture of cocoa butter, cocoa cake and cocoa liquor.	Indonesia	90% (Direct) **10% (Indirect)	90% (Direct) **10% (Indirect)
PT GCB Cocoa Indonesia ("GCB") *	Trading of cocoa products.	Indonesia	90% (Direct) **10% (Indirect)	90% (Direct) **10% (Indirect)
Subsidiary of GCBA				
Carlyle Cocoa Co., LLC ("Carlyle") #	Manufacture of cocoa powders.	United States of America	100%	100%
Subsidiary of GCBSC				
GCB Gourmet Sdn. Bhd. ("GCBG")	Trading of cocoa products.	Malaysia	55%	-

^ Audited by Crowe Horwath International member firm outside Malaysia.

* Audited by firms other than Crowe Horwath.

Not a legal requirement to be audited and therefore consolidated based on unaudited management accounts.

** The indirect equity interest of 10% is held through a subsidiary of the Company, namely CSB.

Notes to the Financial Statements

8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(b) The non-controlling interests at the end of the reporting period comprise the following:

	Group	
	2013 RM	2012 RM
EM	3,872,012	2,910,117
GCBSC	904,121	995,202
Other individually immaterial subsidiaries	131,460	-
	4,907,593	3,905,319

(c) The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:

	EM	
	2013 RM	2012 RM
At 31 December		
Non-current assets	2,414,237	2,271,978
Current assets	25,689,492	12,971,887
Non-current liabilities	(181,591)	(409,798)
Current liabilities	(20,020,073)	(8,895,052)
Net assets	7,902,065	5,939,015

Financial year ended 31 December

Revenue	70,165,184	53,517,215
Profit for the financial year	1,963,050	1,852,376
Total comprehensive income	1,963,050	1,852,376
Total comprehensive income attributable to non-controlling interests	961,895	907,664
Net cash flows from/(used in) operating activities	1,171,885	(735,529)
Net cash flows (used in) investing activities	(526,002)	(146,954)
Net cash flows from financing activities	963,637	1,128,433

Notes to the Financial Statements

8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

- (c) The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows (Cont'd):

	GCBSC	
	2013 RM	2012 RM
At 31 December		
Non-current assets	62,137,181	39,034,928
Current assets	11,873,560	10,981,283
Non-current liabilities	(37,190,567)	(27,134,535)
Current liabilities	(27,778,967)	(12,929,657)
Net assets	9,041,207	9,952,019
Financial year ended 31 December		
Revenue	25,625,400	18,114,120
(Loss) for the financial year	(910,812)	(186,867)
Total comprehensive (expenses)	(910,812)	(186,867)
Total comprehensive (expenses) attributable to non-controlling interests	(91,081)	(18,687)
Net cash flows from/(used in) operating activities	5,932,759	(2,482,352)
Net cash flows (used in) investing activities	(23,450,095)	(34,691,943)
Net cash flows from financing activities	16,325,615	35,693,315

- (d) In previous financial year, the Company recognised an impairment loss of RM 4,870,001 for investment in a subsidiary as the recoverable amount is below the cost of investment for the said subsidiary.
- (e) On 27 February 2013, GCBSC subscribed 110 shares of RM 1.00 each in GCBG and subsequently invested on 19 April 2013 an additional 109,890 shares of RM 1.00 each in GCBG. These investments represent 55% equity interest in GCBG for a total cash consideration of RM 110,000.

9. INVENTORIES

	Group	
	2013 RM	2012 RM
At Cost		
Raw materials	407,143,693	246,328,135
Packing materials	2,382,129	2,285,547
Work-in-progress	14,807,638	8,872,651
Finished goods	109,163,339	100,051,623
Stores and supplies	10,315,180	8,698,363
	543,811,979	366,236,319
At Net Realisable Value		
Finished goods	306,069,015	156,548,302
Work-in-progress	149,815	1,825,850
	850,030,809	524,610,471
Less : Allowance for obsolete inventories	(70,889)	-
	849,959,920	524,610,471
Recognised in Profit or Loss		
Inventories recognised as cost of sales	1,151,146,735	1,172,300,630
Amount written down to net realisable value	43,580,160	6,931,188

Notes to the Financial Statements

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Non-Current				
Other Receivables				
Amounts due from subsidiaries	-	-	116,344,629	118,482,091
Less : Allowance for impairment losses	-	-	(7,108,220)	(7,108,220)
	-	-	109,236,409	111,373,871
Current				
Trade Receivables				
Amounts due from subsidiaries	-	-	319,072	301,072
Amounts due from affiliated companies (Note 31)	893,529	814,830	-	-
Other trade receivables	146,012,384	195,086,298	-	-
Less : Allowance for impairment losses	(1,685,322)	(999,493)	(265,072)	(265,072)
	145,220,591	194,901,635	54,000	36,000
Other Receivables				
Amounts due from subsidiaries	-	-	631,156	631,156
Sundry receivables	41,387,788	17,858,603	-	-
Less : Allowance for impairment losses	-	-	(631,156)	(631,156)
	41,387,788	17,858,603	-	-
	186,608,379	212,760,238	54,000	36,000
Allowance for Impairment Losses:				
At 1 January	999,493	920,207	8,004,448	631,156
Charge for the year	685,829	384,986	-	7,373,292
Reversal	-	(305,700)	-	-
At 31 December	1,685,322	999,493	8,004,448	8,004,448

- (a) The Group's trade receivables are non-interest bearing and the normal trade terms range from cash against documents to 120 days (2012 : cash against documents to 90 days) from the date of invoices. Other credit terms are assessed and approved on a case-by-case basis.
- (b) The non-trade balances due from subsidiaries represent unsecured, interest-free advances and payments made on behalf of those subsidiaries. The amounts owing are repayable on demand and are to be settled in cash.
- (c) The impairment losses is made mainly in respect of those trade receivables who have defaulted on payment.

11. PREPAYMENTS AND OTHER ASSETS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Deposits	4,232,877	8,557,931	4,000	4,000
Prepayments	1,595,216	3,013,391	-	-
Tax paid in advance	14,317,587	486,085	12,082	54,484
	20,145,680	12,057,407	16,082	58,484

Notes to the Financial Statements

12. DERIVATIVES

	Contract/ notional amount/net long/(short) RM	Group	
		Assets RM	Liabilities RM
Non-hedging derivatives:			
Current			
2013			
Forward currency contracts	(233,256,774)	525,381	7,268,409
Commodity futures contracts	(268,020,559)	7,901,603	4,553,689
Forward currency option contracts	125,749,650	-	820,323
	(375,527,683)	8,426,984	12,642,421
2012			
Forward currency contracts	(203,044,900)	266,641	1,645,476
Commodity futures contracts	23,828,656	3,082,538	2,197,006
	(179,216,244)	3,349,179	3,842,482

- (a) The Group uses forward currency contracts and commodity futures contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.
- (b) Forward currency contracts are used to hedge the Group's sales and purchases denominated in United States Dollar ("USD"), Australian Dollar ("AUD"), Great Britain Pound ("GBP") and EURO for which firm commitments existed at the end of the reporting period. The settlement dates on forward currency contracts range from January 2014 to May 2014 (2012 : January 2013 to October 2013) after the end of the reporting period.
- (c) Commodity futures contracts are used to manage the Group's open sale and purchase commitments and inventory of raw materials changes continuously in line with cocoa bean price movements in the respective commodity markets.
- (d) During the financial year, the Group recognised a loss of RM 7,590,828 (2012 : RM 1,449,266) arising from fair value changes of derivatives. The method and assumptions applied to determining the fair value of derivative are disclosed in Note 37.

13. DEPOSITS, BANK AND CASH BALANCES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Bank and cash balances	26,371,534	51,228,182	69,197	3,514
Deposits placed with licensed bank	1,070,889	1,002,814	-	-
	27,442,423	52,230,996	69,197	3,514

- (a) The effective interest rates of fixed deposits placed with licensed banks range from 3.20% to 5.75% (2012 : 3.20% to 5.75%) per annum.
- (b) The maturity period of fixed deposits placed with licensed banks at the end of reporting period is 12 months (2012 : 12 months).
- (c) The fixed deposits placed with licensed banks of the Group at the end of the reporting periods has been pledged to licensed banks as security for banking facilities granted to the Group.

Notes to the Financial Statements

14. SHARE CAPITAL

	Group And Company			
	2013		2012	
	Number of shares	RM	Number of shares	RM
Authorised:				
Ordinary shares of RM 0.25 each				
At 1 January	800,000,000	200,000,000	800,000,000	200,000,000
At 31 December	800,000,000	200,000,000	800,000,000	200,000,000
Issued and fully paid-up:				
Ordinary shares of RM 0.25 each				
At 1 January	478,514,289	119,628,572	319,742,258	79,935,565
Bonus issue	-	-	158,757,731	39,689,432
Conversion of warrants	-	-	14,300	3,575
At 31 December	478,514,289	119,628,572	478,514,289	119,628,572

Share Capital

In previous financial year, the issued and paid-up capital of the Company was increased from RM 79,935,565 to RM 119,628,572 by way of:

- The issuance of 158,757,731 new ordinary shares of RM 0.25 each on the basis of one (1) bonus share for every two (2) existing ordinary share held.
- The issuance of 14,300 new ordinary shares of RM 0.25 each pursuant to the exercise of warrants.

The holders of ordinary shares are entitled to receive dividends as declared by the Company and are entitled to one (1) vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets. In respect of the Company's treasury shares, all rights are suspended until those shares are reissued.

Warrants 2011/2016

The salient terms of the Warrants 2011/2016 are as follows:

- The Warrants are constituted by a Deed Poll executed on 7 January 2011.
- The Warrants are traded separately.
- The Warrants can be exercised any time during the tenure of 5 years commencing from the date of issue, 21 February 2011 to 20 February 2016 ("Exercised Period"). Warrants not exercised during the Exercised Period will lapse and cease to be valid.
- Each Warrant entitles the registered holder to subscribe for one new ordinary share ("Shares") in the Company.
- In connection with the Bonus Issue of 158,757,731 new ordinary shares ("Bonus Share") on the basis of one (1) Bonus Share for every two (2) Shares held, the Exercise Price of the Warrants was adjusted from RM 2.00 to RM 1.34 for each Warrant and an additional 29,894,168 new Warrants were issued as a consequence of the Bonus Issue pursuant to Clause 3(A)(ii) of the Third Schedule of the Deed Poll.

As at 31 December 2013, 16,525 out of the adjusted total number of 89,699,193 Warrants had been exercised.

- Subject to the provisions in the Deed Poll, the Exercise Price and the number of Warrants held by each Warrant holder shall from time to time be adjusted by the Company in consultation with the approved adviser and certified by the auditors appointed by the Company.
- Subject to the provisions in the Deed Poll, the Company is free to issue shares to shareholders either for cash or as a bonus distribution and further subscription rights upon such terms and conditions as the Company sees fit but the Warrant holders will not have any participating rights in such issues unless otherwise resolved by the Company in general meeting.

Notes to the Financial Statements

15. TREASURY SHARES

	Group And Company			
	2013 Number of shares	RM	2012 Number of shares	RM
Ordinary shares of RM 0.25 each				
At 1 January	2,240,700	5,194,748	2,240,700	5,194,748
Shares bought back during the year	-	-	-	-
At 31 December	2,240,700	5,194,748	2,240,700	5,194,748

The shareholders of the Company, by an ordinary resolution passed in the Annual General Meeting held on 26 June 2013, renewed their approval for the Company's plan to repurchase its own shares up to 10% of the issued and paid-up share capital of the Company.

The directors of the Company are committed to enhance the value of the Company for its shareholders and believe that the shares buyback can be applied in the best interest of the Company and its shareholders.

The shares bought back are held as treasury shares and none of the treasury shares were resold or cancelled during those financial years.

16. RESERVES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Non-Distributable				
Foreign currency translation reserve	8,025,920	(720,220)	-	-
Distributable				
Retained profits	206,306,332	226,705,538	23,765,732	41,595,918
	214,332,252	225,985,318	23,765,732	41,595,918

(a) Foreign Currency Translation Reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(b) Retained Profits

At the end of the reporting period, the Company will be able to distribute dividends out of its entire retained profits under the single tier tax system.

Notes to the Financial Statements

17. LOANS AND BORROWINGS

	2013 RM	Group 2012 RM
Current		
Secured - Bank overdrafts	1,116,276	61,338
- Bankers' acceptances	3,711,000	2,767,000
- Term loans	54,901,926	21,309,385
- Trade loans	693,705,501	474,873,370
- Revolving credit	66,854,900	13,708,800
- Obligations under finance leases	513,311	244,893
	820,802,914	512,964,786
Non-Current		
Secured - Term loans	120,726,203	111,815,713
- Obligations under finance leases	571,844	545,341
	121,298,047	112,361,054
	942,100,961	625,325,840
Total Borrowings		
Secured - Bank overdrafts	1,116,276	61,338
- Bankers' acceptances	3,711,000	2,767,000
- Term loans	175,628,129	133,125,098
- Trade loans	693,705,501	474,873,370
- Revolving credit	66,854,900	13,708,800
- Obligations under finance leases	1,085,155	790,234
	942,100,961	625,325,840

The remaining maturities of the loans and borrowings at the reporting date are as follows:

	2013 RM	Group 2012 RM
Current		
Not later than one year	820,802,914	512,964,786
Non-Current		
Later than one year and not later than two years	26,909,993	50,511,440
Later than two years and not later than five years	77,078,898	51,142,386
Later than five years	17,309,156	10,707,228
	121,298,047	112,361,054
	942,100,961	625,325,840

Notes to the Financial Statements

17. LOANS AND BORROWINGS (CONT'D)

Obligations under finance leases

- (a) These obligations bear interests ranging from 3.9% to 7.3% (2012 : 3.9% to 7.3%) per annum.
- (b) Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2013 RM	Group 2012 RM
Minimum lease payments:		
Not later than one year	555,526	276,265
Later than one year and not later than two years	368,345	250,408
Later than two years and not later than five years	231,584	330,432
	1,155,455	857,105
Less : Unexpired term charges	(70,300)	(66,871)
	1,085,155	790,234
Present value of payments:		
Current		
Not later than one year	513,311	244,893
Non-Current		
Later than one year and not later than two years	345,606	228,058
Later than two years and not later than five years	226,238	317,283
	571,844	545,341
	1,085,155	790,234

Bank borrowings

- (a) The bank borrowings are secured by the following:
- (i) Negative pledge;
 - (ii) Corporate guarantee by the Company; and
 - (iii) Leasehold land and building and freehold property (Note 5(a) and Note 6).
- (b) The effective interest rates (per annum) for bank borrowings during the financial years are as follows:

	2013 %	Group 2012 %
Bankers' acceptances and trade loans	0.7 - 4.4	0.6 - 4.3
Bank overdrafts	7.6	7.6
Revolving credits	4.4	4.4 - 4.8
Term loans	1.9 - 6.3	1.9 - 8.4

Notes to the Financial Statements

17. LOANS AND BORROWINGS (CONT'D)

- (c) The term loans are repayable by 24 to 120 monthly instalments (2012 : 24 to 120 monthly instalments). At the end of the reporting period, they are repayable as follows:

	2013 RM	Group 2012 RM
Current		
Not later than one year	54,901,926	21,309,385
Non-current		
Later than one year and not later than two years	26,564,387	50,283,382
Later than two years and not later than five years	76,852,660	50,825,103
Later than five years	17,309,156	10,707,228
	120,726,203	111,815,713
	175,628,129	133,125,098

18. DEFERRED TAX (ASSETS)/LIABILITIES

	2013 RM	Group 2012 RM
At 1 January	15,849,527	13,420,933
Recognised in profit or loss (Note 26)	(318,658)	2,442,256
Foreign currency difference	224,973	(39,662)
(Over)/Underprovision on deferred tax expense in prior years (Note 26)	(211,000)	26,000
At 31 December	15,544,842	15,849,527
Presented after appropriate offsetting as follows:		
Deferred tax assets	(73,787)	(11,761)
Deferred tax liabilities	15,618,629	15,861,288
	15,544,842	15,849,527

- (a) The components and movements of deferred tax assets and liabilities during the financial year prior to offset are as follows:

(i) Deferred tax assets:

	Unused tax losses RM	Other temporary differences RM	Total RM
At 1 January 2012	600,000	136,000	736,000
Recognised in profit or loss	(600,000)	(124,239)	(724,239)
At 1 January 2013	-	11,761	11,761
Recognised in profit or loss	69,959	(226)	69,733
Foreign exchange difference	(8,327)	620	(7,707)
At 31 December 2013	61,632	12,155	73,787

Notes to the Financial Statements

18. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D)

- (a) The components and movements of deferred tax assets and liabilities during the financial year prior to offset are as follows (Cont'd):

(ii) Deferred tax liabilities:

	Excess of capital allowances over depreciation RM	Other temporary differences RM	Total RM
At 1 January 2012	14,854,712	(697,779)	14,156,933
Recognised in profit or loss	2,066,640	(348,623)	1,718,017
Under/(Over)provision on deferred tax expense in prior year	27,000	(1,000)	26,000
Foreign currency difference	(34,945)	(4,717)	(39,662)
At 1 January 2013	16,913,407	(1,052,119)	15,861,288
Recognised in profit or loss	3,128,434	(3,377,359)	(248,925)
(Over)provision on deferred tax expense in prior years	(121,000)	-	(121,000)
Foreign currency difference	148,097	(20,831)	127,266
At 31 December 2013	20,068,938	(4,450,309)	15,618,629

- (b) Subject to the agreement of the Inland Revenue Board, the unused capital allowances and unused tax losses are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

	2013 RM	Group 2012 RM
Unabsorbed capital allowances	11,001,000	43,000
Unused tax losses	2,893,000	2,763,000
	13,894,000	2,806,000

19. POST-EMPLOYMENT BENEFITS

Certain foreign subsidiaries of the Group operates post-employment plans for severance and service benefits required under the labour laws of the country in which they operate. The employee benefits liability is unfunded.

The amounts recognised in profit or loss are as follows:

	2013 RM	2012 RM
Current service cost	139,972	362,248
Interest cost	19,438	9,257
Amortisation of actuarial (gain)/loss	-	(410)
Foreign exchange differences	(76,772)	(10,618)
Benefit paid	(7,286)	-
Net employee benefit expenses	75,352	360,477

Notes to the Financial Statements

19. POST-EMPLOYMENT BENEFITS (CONT'D)

The movement in the liability recognised in the statement of financial position is as follows:

	RM	RM
At 1 January	360,477	-
Net employee benefit expenses	159,410	374,914
Foreign exchange differences	(48,616)	(14,437)
Benefit paid	(7,286)	-
At 31 December	463,985	360,477

The amount recognised in the statement of financial position are determined as follows:

	RM	RM
Present value of defined benefit obligation	463,985	360,477
Employee benefits liability	463,985	360,477

Movement of present value of obligation is as follow:

	2013 RM	2012 RM
At 1 January	360,477	-
Current service cost	139,972	362,248
Interest cost	19,438	9,257
Amortisation of actuarial (gain)/loss	-	(410)
Foreign exchange differences	(48,616)	(10,618)
Benefit paid	(7,286)	-
At 31 December	463,985	360,477

Historical information of present value of defined benefit obligation, fair value of plan assets and experience adjustments are as follows:

	RM	RM
Present value of defined benefit obligation	443,913	386,458
Experience adjustments on plan liabilities	(42,051)	48,488

The principal actuarial assumptions used were as follows:

	2013	2012
Retirement age	55 years	55 years
Discount rate	9.10 - 9.13%	6.30%
Salary increment rate	8.00%	8.00%
Mortality table	TMI - 2011	TMI - 2011

(Table Mortality Indonesia - TMI)

Notes to the Financial Statements

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Trade Payables				
Amount due to affiliated companies (Note 31)	7,849,291	1,062,679	-	-
Other trade payables	186,403,617	101,471,550	-	-
	194,252,908	102,534,229	-	-
Other Payables				
Amount due to subsidiaries	-	-	19,697,862	3,878,368
Amount due to directors	136,579	136,509	-	-
Accrued expenses	9,628,885	25,607,828	86,133	171,622
Sundry payables	13,790,132	14,149,125	2	2
	23,555,596	39,893,462	19,783,997	4,049,992
	217,808,504	142,427,691	19,783,997	4,049,992

- (a) Trade payables are non-interest bearing and the normal trade terms granted to the Group range from cash against documents to 60 days (2012 : cash against documents to 60 days) from the date of invoices.
- (b) The amount due to directors and sundry payables are non-interest bearing and are repayable on demand. Included in sundry payables of the Group is an amount of RM 3,081,970 (2012 : RM 6,741,820) payable for the purchase of property, plant and equipment (Note 5(c)).

21. REVENUE

Revenue of the Group and of the Company comprises the followings:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Dividend income	-	-	-	15,000,000
Management fee income	-	-	72,000	120,000
Invoiced value of goods sold net of discounts and returns	1,362,712,598	1,453,259,266	-	-
	1,362,712,598	1,453,259,266	72,000	15,120,000

22. FINANCE COSTS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Interest On:				
Bank overdrafts	19,144	20,019	-	-
Bankers' acceptances	164,607	120,384	-	-
Obligations under finance leases	38,614	40,074	-	-
Term loans	3,799,640	2,519,613	-	-
Trade loans	6,555,678	6,321,724	-	-
Revolving credit	35,620	34,622	-	-
	10,613,303	9,056,436	-	-
Bank charges	363,398	1,132,958	54	166
Bank commission	1,961,855	1,905,321	-	-
Commitment fee	150,777	98,801	-	-
	13,089,333	12,193,516	54	166

Notes to the Financial Statements

23. PROFIT BEFORE TAX

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
This is arrived at after charging:				
Staff costs (Note 24)	25,570,951	45,031,074	43,500	44,100
Non-executive directors' remuneration (Note 25)	72,000	97,000	72,000	97,000
Allowance for obsolete inventories	70,889	-	-	-
Amortisation of intangible assets	147,996	148,000	-	-
Amortisation of prepaid lease payments	863,140	540,667	-	-
Auditors' remuneration:				
- current	279,327	231,260	55,000	50,000
- (over)/underprovision in prior years	(3,600)	33,258	-	-
- other services	23,000	218,000	23,000	218,000
Bad debts written off	10,596	30,749	-	-
Depreciation	20,393,624	15,429,855	-	-
Fair value loss on derivatives	6,141,563	1,746,277	-	-
Impairment loss on investment in subsidiary	-	-	-	4,870,001
Impairment loss on intangible assets	64,050	-	-	-
Impairment loss on trade and other receivables	685,829	384,986	-	7,373,292
Impairment loss on property, plant and equipment	-	2,542,638	-	-
Inventories written off	15,666	-	-	-
Management fee	39,371	56,055	-	-
Net employee benefit expenses	159,410	374,914	-	-
Property, plant and equipment loss on theft	-	2,283	-	-
Property, plant and equipment written off	-	4,565	-	-
Realised loss on foreign exchange	24,423,813	-	-	16,585
Realised loss on commodity future contracts	181,868	-	-	-
Realised loss on forward currency contracts	70,431	-	-	-
Rental:				
- Factory	130,893	-	-	-
- Forklift / crane / container	172,043	330,254	-	-
- Hostel	182,668	86,016	-	-
- Office	50,000	-	-	-
- Outlet	96,000	96,000	-	-
- Warehouse	1,172,529	-	-	-
Research and development expenses	2,508	787	-	-
Sub-lease rental	-	259,191	-	-
Unrealised loss on foreign exchange	-	1,010,930	-	-
Write-down of inventories	43,580,160	6,931,188	-	-

Notes to the Financial Statements

23. PROFIT BEFORE TAX (CONT'D)

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
And Crediting:				
Dividend income	-	(2,298,966)	-	-
Fair value gain on derivatives	(3,248,568)	(963,205)	-	-
Insurance claim	(916,044)	(3,412,418)	-	-
Interest income	(698,530)	(291,087)	-	-
Gain on disposal of property, plant and equipment	(139,160)	(163,466)	-	-
Realised gain on commodity future contracts	(17,959,961)	(28,028,527)	-	-
Realised gain on commodity option contracts	(545,511)	-	-	-
Realised gain on foreign exchange	-	(11,782,732)	(4,652,649)	-
Reversal of impairment on trade receivables	-	(305,700)	-	-
Unrealised gain on foreign exchange	(537,612)	-	(1,922,914)	(2,069,196)
Warehouse rental income	(1,050,018)	(1,070,400)	-	-

24. STAFF COSTS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Executive Directors' Remuneration (excluding benefits-in-kind) (Note 25)	666,780	15,960,014	43,500	44,100
Other Staff Costs				
Salaries and other emoluments	20,838,939	24,159,429	-	-
EPF	1,544,527	1,768,473	-	-
Employee benefits	79,668	374,914	-	-
SOCSSO	159,181	148,032	-	-
Other staff related expenses	2,281,856	2,620,212	-	-
	24,904,171	29,071,060	-	-
Total Staff Costs	25,570,951	45,031,074	43,500	44,100

Notes to the Financial Statements

25. DIRECTORS' REMUNERATION

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Directors of the Company				
Executive Directors:				
Allowance	1,500	2,100	1,500	2,100
Bonuses				
- current year	526,456	9,929,149	-	-
- overprovision in prior year	(3,550,000)	-	-	-
EPF	108,072	336,500	-	-
Fee	342,000	492,000	42,000	42,000
Salaries	2,385,459	2,301,849	-	-
SOC SO	1,859	1,756	-	-
	(184,654)	13,063,354	43,500	44,100
Non-Executive Directors:				
Allowance	3,000	6,000	3,000	6,000
Fee	69,000	91,000	69,000	91,000
	72,000	97,000	72,000	97,000
Directors of the Subsidiaries				
Executive Directors:				
Allowances	15,127	14,884	-	-
Bonuses	55,077	2,153,242	-	-
EPF	61,657	53,308	-	-
Fee	150,000	108,000	-	-
Salaries	567,817	565,728	-	-
SOC SO	1,756	1,498	-	-
	851,434	2,896,660	-	-
Total directors' remuneration	738,780	16,057,014	115,500	141,100
Estimated monetary value of benefits-in-kind				
- Executive directors of the Company	65,275	65,275	-	-
- Executive directors of the subsidiaries	28,000	26,987	-	-
	93,275	92,262	-	-

Notes to the Financial Statements

26. TAX EXPENSE

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
(a) Components of tax expense				
Current tax expense:				
- Malaysian income tax	3,149,000	14,903,270	-	-
- Foreign income tax	295,282	13,025,530	-	-
	3,444,282	27,928,800	-	-
Under/(Over)provision in prior years:				
- Malaysian income tax	248,776	(133,418)	29,354	5,316
- Foreign income tax	270,720	8,922	-	-
	3,963,778	27,804,304	29,354	5,316
Withholding tax	110,343	139,380	-	-
Deferred tax expense:				
- relating to the (reversal)/origination of temporary differences	(318,658)	2,442,256	-	-
- (over)/underprovision in prior years	(211,000)	26,000	-	-
	(529,658)	2,468,256	-	-
	3,544,463	30,411,940	29,354	5,316
(b) Reconciliation of income tax expenses				
Profit before tax	7,871,216	150,278,855	6,012,853	1,792,990
Tax at Malaysian statutory income tax rate of 25% (2012 : 25%)	1,968,000	37,570,000	1,503,000	448,000
Tax effect of different tax rates in subsidiaries				
- Foreign subsidiaries	(95,000)	(9,276,000)	-	-
Tax effect of double deduction relief	(378,000)	(342,000)	-	-
Tax effect of non-taxable income	(422)	(546,706)	(1,644,000)	(4,095,000)
Tax effect of non-deductible expenses	2,446,202	2,232,376	141,000	3,647,000
Tax effect of tax incentive	(114,731)	(3,275)	-	-
Deferred tax assets not recognised during the financial year	(551,925)	14,000	-	-
Tax effect of withholding tax	110,343	139,380	-	-
Reversal of deferred tax asset recognised in prior years	-	736,000	-	-
Utilisation of deferred tax asset previously not recognised	(148,500)	(13,339)	-	-
Under/(Over)provision in prior years:				
- current tax expense	519,496	(124,496)	29,354	5,316
- deferred tax expense	(211,000)	26,000	-	-
	3,544,463	30,411,940	29,354	5,316

The Malaysian statutory tax rate will be reduced to 24% from the current financial year rate of 25%, effective year of assessment 2016.

Tax expense for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A subsidiary has been awarded a concessionary status by its local government agency. As a result, the Company enjoys concessionary tax rate of 10% with effect from 1 January 2011 on its qualifying income from trading of commodity products.

Notes to the Financial Statements

27. EARNINGS PER ORDINARY SHARE

(a) Basic Earnings Per Ordinary Share

Basic earnings per ordinary share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year, excluding treasury shares held by the Company.

	2013 RM	Group 2012 RM
Profit for the year attributable to owners of the Company	3,414,479	118,981,671
	Units	Units
Number of ordinary shares in issue at the beginning of financial year	476,273,589	317,957,023
Effect of conversion of warrants	-	14,300
Effect of bonus issue	-	158,757,731
Effect of treasury shares held	-	(464,514)
Weighted average number of ordinary shares in issue	476,273,589	476,264,540
Basic earnings per ordinary share (sen)	0.72	24.98

(b) Diluted Earnings Per Ordinary Share

The calculation of diluted earnings per share was based on the profit attributable to owner of the Company and the weighted average number of ordinary shares outstanding (excluding treasury shares) on the assumption that all the dilutive potential ordinary shares are fully converted, as follows:

	2013 RM	Group 2012 RM
Profit for the year attributable to owners of the Company	3,414,479	118,981,671
	Units	Units
Weighted average number of ordinary shares in issue	476,273,589	476,264,540
Effect of dilution of warrants	18,150,064	24,618,383
Adjusted weighted average number of ordinary shares in issue and issuales	494,423,653	500,882,923
Diluted earnings per ordinary share (sen)	0.69	23.75

Notes to the Financial Statements

28. DIVIDENDS

	Group and Company	
	2013 RM	2012 RM
In respect of the financial year ended 31 December 2011		
Final tax-exempt single-tier dividend of 8% equivalent to 2.0 sen per ordinary share on 317,503,308 ordinary shares of RM 0.25	-	6,350,066
In respect of the financial year ended 31 December 2012		
First interim tax-exempt single-tier dividend of 8% equivalent to 2.0 sen per ordinary share on 317,501,558 ordinary shares of RM 0.25	-	6,350,031
Second interim tax-exempt single-tier dividend of 10% equivalent to 2.5 sen per ordinary share on 317,501,476 ordinary shares of RM 0.25	-	7,937,537
Third interim tax-exempt single-tier dividend of 10% equivalent to 2.5 sen per ordinary share on 317,505,937 ordinary shares of RM 0.25	-	7,937,898
Fourth interim tax-exempt single-tier dividend of 8% equivalent to 2.0 sen per ordinary share on 476,273,589 ordinary shares of RM 0.25	-	9,525,472
Final tax-exempt single-tier dividend of 8% equivalent to 2.0 sen per ordinary share on 476,273,589 ordinary shares of RM 0.25	9,525,472	-
In respect of the financial year ended 31 December 2013		
First interim tax-exempt single-tier dividend of 6% equivalent to 1.5 sen per ordinary share on 476,273,589 ordinary shares of RM 0.25	7,144,107	-
Second interim tax-exempt single-tier dividend of 6% equivalent to 1.5 sen per ordinary share on 476,273,589 ordinary shares of RM 0.25	7,144,106	-
	23,813,685	38,101,004

29. ACQUISITION OF SUBSIDIARIES

- (a) On 6 January 2012, the Company acquired all the shares in Cocoarich Sdn. Bhd. ("CSB") for a cash consideration of RM 10,000,000 (which has included the settlement of debts owing to outgoing shareholder). CSB is principally engaged in the business of investment holding. CSB is the registered and beneficial owner of PT Asia Cocoa Indonesia ("ACI"). The completion of the acquisition has rendered ACI to become a wholly-owned indirect subsidiary of the Company.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	2012 RM
Fair value of consideration transferred	
Cash and cash equivalents	10,000,000
Identifiable assets acquired and liabilities assumed	
Other investment *	3,453,939
Cash and cash equivalents	3,065
Trade and other receivables	21,600
Trade and other payables	(2,040,734)
Total identifiable net assets	1,437,870

- * The fair value of other investment (investment in ACI) has been determined based on its proportionate interest in the recognised amount of the assets and liabilities of ACI as at 31 December 2011.

Notes to the Financial Statements

29. ACQUISITION OF SUBSIDIARIES (CONT'D)

- (a) On 6 January 2012, the Company acquired all the shares in Cocoarich Sdn. Bhd. ("CSB") for a cash consideration of RM 10,000,000 (which has included the settlement of debts owing to outgoing shareholder). CSB is principally engaged in the business of investment holding. CSB is the registered and beneficial owner of PT Asia Cocoa Indonesia ("ACI"). The completion of the acquisition has rendered ACI to become a wholly-owned indirect subsidiary of the Company. (Cont'd)

	RM
Net cash outflow arising from acquisition of subsidiary	
Purchase consideration settled in cash and cash equivalents	(10,000,000)
Settlement of amount owing to outgoing shareholder	2,040,597
Cash and cash equivalents acquired	3,065
	<u>(7,956,338)</u>
Goodwill	
Total consideration transferred	10,000,000
Settlement of amount owing to outgoing shareholder	(2,040,597)
Fair value of identifiable net assets	(1,437,870)
	<u>6,521,533</u>
The acquired subsidiary has contributed the following results to the Group:	RM
Loss for the year	<u>(RM 32,977)</u>

- (b) On 26 December 2012, the Company entered into a Membership Interest Purchase Agreement to acquire the remaining 51% membership interest in Carlyle Cocoa Co., LLC ("Carlyle") for a total cash consideration of USD 3,600,000 (equivalent to RM 11,008,800).

The following summarises the major classes of consideration transferred, and the recognised amount of assets acquired and liabilities assumed at the acquisition date:

	2012 RM
Fair value of consideration transferred	
Cash and cash equivalents	<u>11,008,800</u>
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment (i)	2,961,673
Cash and cash equivalent	4,675,765
Trade and other receivables	2,234,410
Inventories	3,148,636
Prepayments and other assets	94,792
Trade and other payables	(2,192,277)
Bank borrowings	(63,246)
Total identifiable net assets	<u>10,859,753</u>
Net cash outflow arising from acquisition of subsidiary	
Purchase consideration settled in cash and cash equivalents	(11,008,800)
Cash and cash equivalents acquired	4,675,765
	<u>(6,333,035)</u>

Notes to the Financial Statements

29. ACQUISITION OF SUBSIDIARIES (CONT'D)

- (b) On 26 December 2012, the Company entered into a Membership Interest Purchase Agreement to acquire the remaining 51% membership interest in Carlyle Cocoa Co., LLC ("Carlyle") for a total cash consideration of USD 3,600,000 (equivalent to RM 11,008,800). (Cont'd)

	2012 RM
Goodwill	
Total consideration transferred	11,008,800
Fair value of identifiable net assets	(10,859,753)
Fair value of existing interest in the Carlyle (ii)	4,871,513
	<u>5,020,560</u>

- (i) The fair value of property, plant and equipment has been determined provisionally based on independent professional valuer's report.
- (ii) The remeasurement to fair value of the Group's existing 49% interest in Carlyle resulted in a gain of RM 1,762,291.

30. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following amounts:

	Group 2013 RM	2012 RM	Company 2013 RM	2012 RM
Deposits, bank and cash balances	27,442,423	52,230,996	69,197	3,514
Less : Bank overdraft	(1,116,276)	(61,338)	-	-
	<u>26,326,147</u>	52,169,658	<u>69,197</u>	3,514
Less : Non-cash and cash equivalents				
Fixed deposits pledged to banks as collateral	(1,070,889)	(1,002,814)	-	-
	<u>25,255,258</u>	51,166,844	<u>69,197</u>	3,514

31. RELATED PARTY DISCLOSURES

- (a) For the purpose of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial or operational decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. The related parties of the Group and the Company are :

(i) Ultimate Holding Company

Guan Chong Resources Sdn. Bhd..

(ii) Related Companies

Related companies are companies within the group of Guan Chong Resources Sdn. Bhd..

(iii) Affiliated Companies

Affiliated companies represent companies in which certain directors of the Company and its subsidiary companies, and/or certain substantial shareholders of the holding company have financial interest, both directly and indirectly.

(iv) Key Management Personnel

Key management personnel include the Group and the Company's executive and non-executive directors and are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group or the Company either directly or indirectly. Executive and non-executive directors' compensation are disclosed in Note 25.

Notes to the Financial Statements

31. RELATED PARTY DISCLOSURES (CONT'D)

- (b) The significant related party transactions of the Group and the Company, other than key management personnel compensation, are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Subsidiaries				
- Dividend income	-	-	-	(15,000,000)
- Management fee income	-	-	(72,000)	(120,000)
Affiliated companies				
- Sale of goods	(6,591,657)	(6,315,233)	-	-
- Purchase of goods	25,715,382	8,755,922	-	-
- Commission paid	294,645	314,225	-	-

- (c) Information regarding outstanding balances arising from related party transactions are disclosed in Note 10 and Note 20.

(d) **Compensation Of Key Management Personnel**

The remuneration of directors and other members of key management personnel during the financial year was as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Short-term employee benefits	5,181,210	18,232,059	115,500	141,100
Defined contribution plan (EPF)	289,625	615,676	-	-
	5,470,835	18,847,735	115,500	141,100
Included in the total key management personnel compensation are:				
Directors' remuneration (Note 25)				
- Directors of the Company	(184,654)	13,160,354	115,500	141,100
- Directors of the subsidiaries	851,434	2,896,660	-	-
	666,780	16,057,014	115,500	141,100

The remuneration of key management personnel are determined by the remuneration committee having regard to the performance of individuals and market trends.

Notes to the Financial Statements



32. COMMITMENTS

(a) Lease Commitments

At 31 December, the Group has the following outstanding sub-lease rental commitments which are not taken up in the financial statements:

	2013 RM	Group 2012 RM
Lease rental payable:		
Not later than one year	853,248	462,808
Later than one year and not later than five years	613,257	1,493,899
Later than five years	494,952	1,278,521
	1,961,457	3,235,228

(b) Capital Commitments

At 31 December, the Group has the following capital commitments in respect of property, plant and equipment:

	2013 RM	Group 2012 RM
Contracted but not provided for	21,000,000	12,660,000

33. SEGMENTAL ANALYSIS

The Group has three (3) reportable segments that are Malaysia, Singapore and Indonesia as a result of the business expanding activities carried out in the financial year 2011.

Other operating segments that do not constitute reportable segments comprise operations related to investment holding and provision of management services.

The respective subsidiaries' chief operating decision maker monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment profit or loss before tax, interest, depreciation and amortisation.

Inter-segment sales are determined based on current market prices.

Segment assets

The amounts provided to the chief operating decision maker with respect to total assets are based on all assets allocated to each reportable segment other than deferred income tax assets and tax recoverable.

Segment liabilities

The amounts provided to the chief operating decision maker with respect to total liabilities are based on all liabilities allocated to each reportable segment other than income tax liabilities and borrowings.

Capital expenditure

Capital expenditure comprises mainly additions to property, plant and equipment directly attributable to the segment.

Notes to the Financial Statements

33. SEGMENTAL ANALYSIS (CONT'D)

The following tables provide an analysis of the Group's revenue, results, assets, liabilities and other information by geographical segments:

	Malaysia RM	Singapore RM	Indonesia RM	Others RM	Eliminations RM	Consolidated RM
At 31 December 2013						
Geographical Segments:						
Total external revenue	700,515,548	610,484,546	5,627,282	46,085,222	-	1,362,712,598
Internal segment revenue	171,610,728	1,555,759,724	736,334,088	72,000	(2,463,776,540)	-
Total revenue	872,126,276	2,166,244,270	741,961,370	46,157,222	(2,463,776,540)	1,362,712,598
Segment results	10,890,619	8,976,729	18,084,088	7,959,675	(4,244,332)	41,666,779
Interest income						698,530
Finance cost						(13,089,333)
Depreciation and amortisation						(21,404,760)
Profit before tax						7,871,216
Tax expense						(3,544,463)
Profit for the financial year						4,326,753
Segment assets	697,777,298	212,672,648	571,469,124	27,118,350	-	1,509,037,420
Deferred tax assets						73,787
Tax recoverable						14,317,587
Total assets						1,523,428,794
Segment liabilities	41,816,448	181,642,541	6,760,203	695,718	-	230,914,910
Deferred tax liabilities						15,618,629
Loans and borrowings						942,100,961
Tax payable						1,120,625
Total liabilities						1,189,755,125
Other information:						
Capital expenditure	58,607,051	17,963	39,429,835	135,817	-	98,190,666
Depreciation and amortisation	10,222,684	213,660	10,579,552	388,864	-	21,404,760
Non-cash expenses (other than depreciation and amortisation)	1,348,221	14,663,293	28,358,843	183	-	44,370,540

Notes to the Financial Statements

33. SEGMENTAL ANALYSIS (CONT'D)

	Malaysia RM	Singapore RM	Indonesia RM	Others RM	Eliminations RM	Consolidated RM
At 31 December 2012						
Geographical Segments:						
Total external revenue	640,303,463	812,909,436	46,367	-	-	1,453,259,266
Internal segment revenue	272,039,232	1,142,981,159	571,303,515	15,120,000	(2,001,443,906)	-
Total revenue	912,342,695	1,955,890,595	571,349,882	15,120,000	(2,001,443,906)	1,453,259,266
Segment results	69,845,541	68,400,266	34,530,439	4,039,221	1,484,339	178,299,806
Interest income						291,087
Finance cost						(12,193,516)
Depreciation and amortisation						(16,118,522)
Profit before tax						150,278,855
Tax expense						(30,411,940)
Profit for the financial year						119,866,915
Segment assets	549,996,088	143,057,710	426,027,887	24,721,224	-	1,143,802,909
Deferred tax assets						11,761
Tax recoverable						486,085
Total assets						1,144,300,755
Segment liabilities	52,953,580	84,440,142	8,857,860	379,068	-	146,630,650
Deferred tax liabilities						15,861,288
Loans and borrowings						625,325,840
Tax payable						12,158,516
Total liabilities						<u>799,976,294</u>
Other information:						
Capital expenditure	42,637,247	-	52,533,988	-	-	95,171,235
Depreciation and amortisation	9,170,842	209,837	6,737,843	-	-	16,118,522
Non-cash expenses (other than depreciation and amortisation)	3,307,857	-	6,494,300	-	-	9,802,157

Major customers

There is one major customer with revenue equal to or more than 10% of the Group's revenue, amount to RM 190,245,975 (2012 : RM NIL) arising from sales by the Singapore segment.

Notes to the Financial Statements

34. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 29 November 2012, Cocoarich Sdn. Bhd., a wholly-owned subsidiary of the Company subscribed for 30 shares of USD 1,000 each representing 10% equity interest in PT GCB Cocoa Indonesia ("GCB") for a cash consideration of USD 30,000 ("Incorporation"). The Incorporation was completed on 9 April 2013.
- (b) On 27 February 2013, GCB Specialty Chocolates Sdn. Bhd., a subsidiary of the Company subscribed 110 shares of RM 1.00 each in GCB Gourmet Sdn. Bhd. ("GCBG") and subsequently invested on 19 April 2013 an additional 109,890 shares of RM 1.00 each in GCBG. These investments represent 55% equity interest in GCBG for a total cash consideration of RM 110,000.
- (c) On 1 July 2013, Guan Chong Cocoa Manufacturer Sdn. Bhd. ("GCCM"), a wholly-owned subsidiary of the Company entered into sale and purchase agreements with Sime Darby USJ Development Sdn. Bhd. to acquire 8 industrial lots (collectively known as "Properties") held under three (3) separate main Master Titles namely PT. No. 41273 HSD. No. 81802 to PT. No. 41405 HSD. No. 81932, PT. No. 41150 HSD. No. 81698 to PT. No. 41533 HSD. No. 82060 and PT. No. 41252 HSD. No. 84212 to PT. No. 41272 HSD. No. 84232, all located in Mukim Plentong, District of Johor Bahru, Johor in Sime Darby Business Park, Pasir Gudang, Iskandar Malaysia, Johor for a total cash consideration of RM 19,557,252.

As at the report date, GCCM has paid 95% of total consideration, with the remaining 5% to be settled upon delivery of vacant possession of the Properties.

35. SUBSEQUENT EVENT

On 9 April 2014, GCB Oversea Holdings Corporation, a wholly-owned subsidiary of the Company subscribed 4,511,867 new ordinary shares of USD 1.00 each at par for cash in its wholly-owned subsidiary, GCB Cocoa Singapore Pte. Ltd..

36. COMPARATIVE FIGURES

The following comparative figures on the face of Statements of Financial Position has been reclassified to conform with current year's presentation:

	Group	
	Amount as restated RM	Amount as previously reported RM
Current Assets		
Derivatives	3,349,719	1,563,193
Current Liabilities		
Derivatives	(3,842,482)	(2,056,496)

Notes to the Financial Statements

37. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Policies

The Group's and the Company's activities are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include foreign currency risk, interest rate risk, credit risk, commodity price risk and liquidity risk. The Group's and the Company's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's and the Company's financial performance.

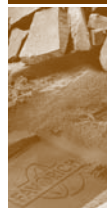
The following sections provide details on the Group's and the Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than functional currency. The currencies giving rise to this risk are primarily EURO, Great Britain Pound ("GBP"), Rupiah, Singapore Dollar ("SGD") and United States Dollar ("USD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. On occasion, the Group enters into forward currency contracts to hedge against its foreign currency risk.

The majority of the Group transactional currency risk arises from its foreign currency based forward sales and purchase of commodity items, contracted along the cocoa bean price chain. These non-financial forward contracts denominated in foreign currency are exposed to economic risk due to currency fluctuations and accounted as financial instruments with fair value impact to its financial statements. These forward contracts on fulfillment at maturity will result in book receivables or payables in foreign currency.

The Group entity's currency exposure and corresponding foreign currency contract are mark-to-market and fair valued quarterly for operational hedge effectiveness testing and for management reporting and oversight. Monthly long-short positions on foreign currencies and foreign currency derivatives are also produced for timely control and intervention.



37. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Foreign currency risk (Cont'd)

The Group's exposure to foreign currency is as follows:

Group	EURO RM	GBP RM	Rupiah RM	SGD RM	USD RM	RM RM	Other RM	Total RM
At 31 December 2013								
Financial Assets								
Trade and other receivables	256,227	36,663,670	233,698	1,275,243	142,164,023	5,785,760	229,758	186,608,379
Deposits, bank and cash balances	59,115	1,676,190	1,386,119	1,596,828	19,503,214	2,819,807	401,150	27,442,423
	315,342	38,339,860	1,619,817	2,872,071	161,667,237	8,605,567	630,908	214,050,802
Financial Liabilities								
Loans and borrowings	-	-	-	-	(908,803,635)	(33,297,326)	-	(942,100,961)
Trade and other payables	(374,975)	(105,617,065)	(1,203,364)	(2,439,977)	(91,746,813)	(15,314,815)	(1,111,495)	(217,808,504)
	(374,975)	(105,617,065)	(1,203,364)	(2,439,977)	(1,000,550,448)	(48,612,141)	(1,111,495)	(1,159,909,465)
Net financial assets/(liabilities)	(59,633)	(67,277,205)	416,453	432,094	(838,883,211)	(40,006,574)	(480,587)	(945,858,663)
Less : Forward currency contracts (contracted notional)	-	276,320,806	-	-	(42,357,821)	-	(706,211)	233,256,774
Less : Net financial assets/(liabilities) denominated in the respective entities' functional currency	-	-	(1,286,081)	-	376,507,419	39,444,000	-	414,665,338
Currency exposure	(59,633)	209,043,601	(869,628)	432,094	(504,733,613)	(562,574)	(1,186,798)	(297,936,551)

Notes to the Financial Statements



37. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Foreign currency risk (Cont'd)

Group	EURO RM	GBP RM	Rupiah RM	SGD RM	USD RM	RM RM	Other RM	Total RM
At 31 December 2012								
Financial Assets								
Trade and other receivables	26,025	46,406,998	14,285,364	3,351,506	145,045,984	3,537,406	106,955	212,760,238
Deposits, bank and cash balances	58,263	4,324,392	343,970	961,653	36,935,270	9,596,547	10,901	52,230,996
	84,288	50,731,390	14,629,334	4,313,159	181,981,254	13,133,953	117,856	264,991,234
Financial Liabilities								
Loans and borrowings	-	-	-	-	(597,131,091)	(28,194,749)	-	(625,325,840)
Trade and other payables	(1,256,227)	(21,871,310)	(1,542,299)	(12,473,804)	(79,228,808)	(26,055,243)	-	(142,427,691)
	(1,256,227)	(21,871,310)	(1,542,299)	(12,473,804)	(676,359,899)	(54,249,992)	-	(767,753,531)
Net financial assets/(liabilities)	(1,171,939)	28,860,080	13,087,035	(8,160,645)	(494,378,645)	(41,116,039)	117,856	(502,762,297)
Less : Forward currency contracts (contracted notional)	-	(197,044,265)	-	-	(5,865,198)	-	(135,437)	(203,044,900)
Less : Net financial assets/(liabilities) denominated in the respective entities' functional currency	-	-	-	-	213,132,135	40,306,261	-	253,438,396
Currency exposure	(1,171,939)	(168,184,185)	13,087,035	(8,160,645)	(287,111,708)	(809,778)	(17,581)	(452,368,801)

Notes to the Financial Statements

37. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Foreign currency risk (Cont'd)

	SGD RM	USD RM	RM RM	Total RM
Company				
At 31 December 2013				
Financial Assets				
Trade and other receivables	-	-	54,000	54,000
Bank and cash balances	-	-	69,197	69,197
	-	-	123,197	123,197
Financial Liabilities				
Trade and other payables	-	-	(19,783,997)	(19,783,997)
Net financial assets/(liabilities)	-	-	(19,660,800)	(19,660,800)
Less : Net financial assets denominated in the entity's functional currency	-	-	19,660,800	19,660,800
Currency exposure	-	-	-	-
At 31 December 2012				
Financial Assets				
Trade and other receivables	-	-	36,000	36,000
Bank and cash balances	-	-	3,514	3,514
	-	-	39,514	39,514
Financial Liabilities				
Trade and other payables	-	-	(4,049,992)	(4,049,992)
Net financial assets/(liabilities)	-	-	(4,010,478)	(4,010,478)
Less : Net financial assets denominated in the entity's functional currency	-	-	4,010,478	4,010,478
Currency exposure	-	-	-	-

Notes to the Financial Statements

37. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Foreign currency risk (Cont'd)

The following table details the sensitivity analysis of the Group's profit before tax to a reasonably possible change in the foreign currencies against the functional currency of the Group, with all other variables held constant:

	Group Increase/(Decrease)	
	2013 RM	2012 RM
Effects on profit before tax		
EURO		
- strengthened by 5%	(2,982)	(58,597)
GBP		
- strengthened by 5%	10,452,180	(8,409,209)
SGD		
- strengthened by 5%	21,605	(408,032)
USD		
- strengthened by 5%	(25,236,681)	(14,355,585)
RUPIAH		
- strengthened by 5%	(43,481)	654,352

A weakening of the above currencies against Ringgit Malaysia at the reporting date would have had the equal but opposite effect on the above currencies to the amounts shown above, with all other variables held constant.

(ii) Interest rate risk

The Group's interest rate risk arises primarily from interest bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period is:

	Group	
	2013 RM	2012 RM
Fixed rate instruments		
Financial liabilities	765,356,556	492,139,404
Floating rate instruments		
Financial liabilities	176,744,405	133,186,436

Notes to the Financial Statements

37. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

If the interest rate for floating rate instruments at the end of the reporting period changes 100 basis points (bp) (2012 : 100 bp) with all other variable being held constant, the Group's profit or loss would have increased/decreased by RM 1,119,035 (2012 : RM 746,521).

(iii) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

Concentration of credit risk arise when a number of customers are engaged in similar business activities or activities within the same geographic region, or when they have similar risk characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Group monitors its portfolios, to identify and assess risk concentrations. The credit portfolios are monitored and periodically reviewed to identify, assess and guard against unacceptable risk concentrations.

The credit risk concentration profile of the Group's trade receivables at the reporting date is as follows:

	2013		2012	
	% of total	RM	RM	% of total
By country:				
Brazil	4,701,409	3%	5,849,190	3%
China	21,981,894	15%	21,166,893	11%
Germany	36,807,458	25%	8,040,947	4%
India	6,428,741	5%	1,190,378	1%
Japan	3,953,617	3%	3,665,573	2%
Malaysia	12,199,756	8%	39,423,148	20%
Russia	4,538,934	3%	13,100,384	7%
Singapore	1,996,785	2%	7,730,217	4%
Spain	5,339,065	4%	1,009,140	1%
United States	22,362,537	15%	70,488,197	36%
Other countries	24,910,395	17%	23,237,568	11%
	145,220,591	100%	194,901,635	100%

Notes to the Financial Statements

37. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Credit risk (Cont'd)

Exposure to credit risk

As at reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- (i) The carrying amount of each class of financial assets recognised in the statements of financial position.
- (ii) A nominal amount of RM 1,569,874,970 (2012 : RM 1,273,380,000) relating to financial guarantees provided by the Company for banking facilities granted to its subsidiaries.

As at end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition is not material.

Ageing analysis

The ageing analysis of the Group's trade receivables at the end of the reporting period is as follows:

	Gross amount RM	Individual impairment RM	Collective impairment RM	Carrying value RM
Group				
At 31 December 2013				
Neither past due nor impaired	100,114,425	(195,241)	-	99,919,184
Past due but not impaired:				
- less than 3 months	38,340,026	(125,999)	-	38,214,027
- 3 to 6 months	4,471,592	(2,408)	-	4,469,184
- over 6 months	3,979,870	(1,361,674)	-	2,618,196
	146,905,913	(1,685,322)	-	145,220,591
At 31 December 2012				
Neither past due nor impaired	164,033,495	-	-	164,033,495
Past due but not impaired:				
- less than 3 months	15,048,091	-	-	15,048,091
- 3 to 6 months	15,246,562	(369,619)	-	14,876,943
- over 6 months	1,572,980	(629,874)	-	943,106
	195,901,128	(999,493)	-	194,901,635

At the end of the reporting period, trade receivables that are individually impaired were those have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The collective impairment allowance is determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Notes to the Financial Statements

37. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Credit risk (Cont'd)

Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy customers with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Trade receivables that are past due but not impaired

Based on past experience, the Group is satisfied that no allowance for impairment is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default. These trade receivables are unsecured in nature.

(iv) Commodity price risk

The manufacturing of the Group's cocoa-derived food ingredients products require raw materials such as cocoa beans. The Group seeks to protect itself from the volatility of cocoa bean price risk through the use of commodity futures contracts in a cost effective manner.

The value of the Group's open sale and purchase commitments and inventory of raw materials changes continuously in line with cocoa bean price movements in the respective commodity markets.

The Group uses commodity futures manage its price risk and exposure by having policies and procedures governing its limits on volume and tenure, mark-to-market losses and on approval. The Group's marketing and trading operations are centralised and long-short positions are monitored closely.

If the commodity price index at the reporting date increase by 1% with all other variables held constant, the Group's profit before tax would have decreased by RM 2,483,116 (2012 : RM 78,470).

For the above, a decrease of 1% would have an equal but opposite effect. The analysis assumes all other variables, in particular, foreign exchange rates, remain constant.

(v) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure that they will have sufficient liquidity to meet their liabilities when they fall due.

37. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(v) Liquidity risk (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the reporting date based on contractual undiscounted cash flows:

	Effective rate %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1-5 years RM	Over 5 years RM
Group - 2013						
Non-derivative Financial Liabilities						
Trade and other payables	-	217,808,504	217,808,504	217,808,504	-	-
Loans and borrowings:						
- Bank overdrafts	7.6	1,116,276	1,116,276	1,116,276	-	-
- Bankers' acceptances	3.8 - 4.4	3,711,000	3,711,000	3,711,000	-	-
- Term loans	1.9 - 6.3	175,628,129	176,343,758	56,718,868	112,926,098	6,698,792
- Trade loans	0.7 - 2.3	693,705,501	693,705,501	693,705,501	-	-
- Revolving credit	4.4	66,854,900	66,854,900	66,854,900	-	-
- Obligation under finance lease	3.9 - 7.3	1,085,155	1,155,455	555,526	599,929	-
Derivative Financial Liabilities						
Commodity future contracts	-	4,553,689	4,553,689	4,553,689	-	-
Forward currency contracts	-	7,268,409	7,268,409	7,268,409	-	-
Forward currency option contracts	-	820,323	820,323	820,323	-	-
		1,172,551,886	1,173,337,815	1,053,112,996	113,526,027	6,698,792

Notes to the Financial Statements



Notes to the Financial Statements

37. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(v) Liquidity risk (Cont'd)

	Effective rate %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1-5 years RM	Over 5 years RM
Group - 2012						
Non-derivative Financial Liabilities						
Trade and other payables	-	142,427,691	142,427,691	142,427,691	-	-
Loans and borrowings:						
- Bank overdrafts	7.6	61,338	61,338	61,338	-	-
- Bankers' acceptances	3.8 - 4.3	2,767,000	2,767,000	2,767,000	-	-
- Term loans	1.9 - 8.4	133,125,098	135,046,582	23,453,410	108,707,427	2,885,745
- Trade loans	0.6 - 2.5	474,873,370	474,873,370	474,873,370	-	-
- Revolving credit	4.4 - 4.8	13,708,800	13,708,800	13,708,800	-	-
- Obligation under finance lease	3.9 - 7.3	790,234	857,106	276,265	580,841	-
Derivative Financial Liabilities						
Commodity future contracts	-	2,197,006	2,197,006	2,197,006	-	-
Forward currency contracts	-	1,645,476	1,645,476	1,645,476	-	-
		771,596,013	773,584,369	661,410,356	109,288,268	2,885,745
Company - 2013						
Trade and other payables	-	19,783,997	19,783,997	19,783,997	-	-
Company - 2012						
Trade and other payables	-	4,049,992	4,049,992	4,049,992	-	-

Notes to the Financial Statements

37. FINANCIAL INSTRUMENTS (CONT'D)

(b) Classification of Financial Instruments

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Financial Assets				
Loans and receivables				
Trade and other receivables	186,608,379	212,760,238	54,000	36,000
Deposits, bank and cash balances	27,442,423	52,230,996	69,197	3,514
	214,050,802	264,991,234	123,197	39,514
Fair value through profit or loss				
Derivative assets	8,426,984	3,349,179	-	-
Financial Liabilities				
Fair value through profit or loss				
Derivative liabilities	12,642,421	3,842,482	-	-
Other financial liabilities				
Loans and borrowings	942,100,961	625,325,840	-	-
Trade and other payables	217,808,504	142,427,691	19,783,997	4,049,992
	1,159,909,465	767,753,531	19,783,997	4,049,992

37. FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair Value Information

Other than those disclosed below, the fair values of the financial assets and financial liabilities maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments.

The Group - 2013

	Fair Value Of Financial Instruments Carried At Fair Value				Fair Value Of Financial Instruments Not Carried At Fair Value				Total Fair Value RM	Carrying Amount RM
	Level 1 RM	Level 2 RM	Level 3 RM		Level 1 RM	Level 2 RM	Level 3 RM			
Financial Assets										
Derivative assets:										
- forward currency contracts	-	525,381	-		-	-	-		525,381	525,381
- commodity futures contracts	7,901,603	-	-		-	-	-		7,901,603	7,901,603
Financial Liabilities										
Obligations under finance lease	-	-	-		-	(1,063,483)	-		(1,063,483)	(1,085,155)
Term loans	-	-	-		-	(175,628,129)	-		(175,628,129)	(175,628,129)
Derivative liabilities:										
- forward currency contracts	-	(7,268,409)	-		-	-	-		(7,268,409)	(7,268,409)
- commodity future contracts	(4,553,689)	-	-		-	-	-		(4,553,689)	(4,553,689)
- forward currency option contracts	-	(820,323)	-		-	-	-		(820,323)	(820,323)



37. FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair Value Information (Cont'd)

The Group - 2012

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value		Total Fair Value RM	Carrying Amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level *	RM		
Financial Assets							
Derivative assets:							
- forward currency contracts	-	266,641	-	-	-	266,641	266,641
- commodity futures contracts	3,082,538	-	-	-	-	3,082,538	3,082,538
Financial Liabilities							
Obligations under finance lease	-	-	-	(760,572)	(760,572)	(760,572)	(790,234)
Term loans	-	-	-	(133,125,098)	(133,125,098)	(133,125,098)	(133,125,098)
Derivative liabilities:							
- forward currency contracts	(2,197,006)	-	-	-	-	(2,197,006)	(2,197,006)
- commodity future contracts	-	(1,645,476)	-	-	-	(1,645,476)	(1,645,476)

* Comparative fair value information is not presented by levels, by virtue of the exemption given in MFRS 13.

The Company

At the end of the reporting period, there were no financial instruments carried at fair values.

Notes to the Financial Statements

37. FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair Value Information (Cont'd)

The fair values of level 2 and level 3 above have been determined using the following basis:

- (i) The fair value of obligation under finance leases are determined by discounting the relevant cash flows using interest rate for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:

	2013 %	Group 2012 %
Obligation under finance leases	6.4 - 6.6	6.6

- (ii) The carrying amounts of the term loans approximated their fair values as these instruments bear interest at variable rates.
- (iii) The fair value of forward currency contracts are determined using forward exchange rates at the end of the reporting period with the resulting value discounted back to present value.
- (iv) The fair value of commodity future contracts is determined based on the quoted closing price on the relevant commodity markets as at reporting date.

In regard to financial instruments carried at fair value, there were no transfer between level 1 and level 2 during the financial year.

(d) Master Netting or Similar Agreements

The Group enters into derivative transactions under International Swaps and Derivatives Association ("ISDA") master netting agreements. In general, under such agreements the amounts owned by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs, all outstanding agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group currently does not have any legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

Notes to the Financial Statements

37. FINANCIAL INSTRUMENTS (CONT'D)

(d) Master Netting or Similar Agreements (Cont'd)

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements:

Group - 2013

	Note	Carrying amounts of financial instruments in the statement of financial position RM	Related financial instruments that are not offset RM	Net amount RM
Derivative financial assets				
Forward currency contracts	12	525,381	(525,381)	-
Commodity future contracts	12	7,901,603	(4,553,689)	3,347,914
		8,426,984	(5,079,070)	3,347,914
Derivative financial liabilities				
Forward currency contracts	12	(7,268,409)	525,381	(6,743,028)
Commodity future contracts	12	(4,553,689)	4,553,689	-
Forward currency option contracts	12	(820,323)	-	(820,323)
		(12,642,421)	5,079,070	(7,563,351)

Group - 2012

Derivative financial assets				
Forward currency contracts	12	266,641	(266,641)	-
Commodity future contracts	12	3,082,538	(2,197,006)	885,532
		3,349,179	(2,463,647)	885,532
Derivative financial liabilities				
Forward currency contracts	12	(1,645,476)	266,641	(1,378,835)
Commodity future contracts	12	(2,197,006)	2,197,006	-
		(3,842,482)	2,463,647	(1,378,835)



Notes to the Financial Statements

38. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings from financial institutions less deposit, bank and cash balances.

As it is a common features in the cocoa industry to carry inventory levels of cocoa beans that are sufficient to mitigate the impact of seasonality and varieties of crops, the bean inventory is financed through trade finance facilities. The interest cost of this is recouped and imputed through cocoa product pricing. In order to reflect better Group's gearing position, the net debt is adjusted to exclude trade finance facilities which are used to finance cocoa bean/raw material. There was no change in the Group's approach to capital management during the financial year.

The debt-to-equity ratio of the Group as at the end of the reporting period was as follows:

	2013 RM	2012 RM
Loans and borrowings	942,100,961	625,325,840
Less : Deposits, bank and cash balances	(27,442,423)	(52,230,996)
Net debt	914,658,538	573,094,844
Adjusted net debt	220,953,037	98,221,474
Total equity	328,766,076	340,419,142
Debt-to-equity ratio	2.78	1.68
Adjusted debt-to-equity ratio	0.67	0.29

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) and such shareholders' equity is not less than RM 40 million.

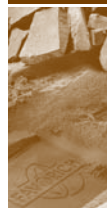
The Company has complied with this requirement.

Notes to the Financial Statements

39. SUPPLEMENTARY INFORMATION DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the retained profits of the Group and of the Company at the reporting date into realised and unrealised profits are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Total retained profits:				
- realised	242,988,297	254,830,050	23,765,732	41,595,918
- unrealised	(17,924,361)	(13,895,450)	-	-
	225,063,936	240,934,600	23,765,732	41,595,918
Less : Consolidation adjustments	(18,757,604)	(14,229,062)	-	-
At 31 December	206,306,332	226,705,538	23,765,732	41,595,918



List of Properties

Owner / Location	Tenure / Term of lease	Approximate Land Area (sq m)	Approximate Age of building	Existing Use	Date of Acquisition	Net book Values @ 31 December 2013
Malaysia						
PLO273 Jalan Timah 2, 81700 Pasir Gudang, Johor	60 years (expiring on 8 May 2043)	7,976	23 years (Main factory and office) 17 years (second factory) 10 years (extension to second factory)	Industrial premises / factory consists of GCC main office, production area for GCC and temporary warehouse	7 December 1989	9,805,814
No. 49 Jalan 10/9, Perjiranan 10, Pasir Gudang, Johor	99 years (expiring on 6 May 2082)	143	30 years	Hostel	28 July 1994	64,765
PLO725, Jalan Keluli 9, 81700 Pasir Gudang, Johor	60 years (expiring on 17 February 2068)	27,523	7 years	Factory / warehouse	9 January 2006	9,923,183
Lot 4-0104(P) Mukim of Plentong, Johor	Freehold	3,502	N/A	Industrial land	1 July 2013	1,667,874
Lot 4-0114 Mukim of Plentong, Johor	Freehold	5,507	N/A	Industrial land	1 July 2013	2,622,747
Lot 4-0115 Mukim of Plentong, Johor	Freehold	4,073	N/A	Industrial land	1 July 2013	1,939,785
Lot 4-0116 Mukim of Plentong, Johor	Freehold	4,073	N/A	Industrial land	1 July 2013	1,939,785
Lot 4-0117 Mukim of Plentong, Johor	Freehold	4,073	N/A	Industrial land	1 July 2013	1,939,785
Lot 4-0118 Mukim of Plentong, Johor	Freehold	4,073	N/A	Industrial land	1 July 2013	1,939,785
Lot 4-0119 Mukim of Plentong, Johor	Freehold	4,073	N/A	Industrial land	1 July 2013	1,939,785
Lot 4-0120 Mukim of Plentong, Johor	Freehold	5,565	N/A	Industrial land	1 July 2013	2,649,867
Singapore						
The Cascadia 943 Bukit Timah Road #05-47 Singapore 589659	Freehold	111	4 years	Residential	17 January 2011	3,980,270
1 Commonwealth Lane #08-04 One Commonwealth Singapore 149544	30 years (expiring on 28 February 2038)	111	6 years	Office	19 January 2011	1,692,716

List of Properties

Owner / Location	Tenure / Term of lease	Approximate Land Area (sq m)	Approximate Age of building	Existing Use	Date of Acquisition	Net book Values @ 31 December 2013
Indonesia						
Komplek Tunas Industrial Estate Type 7 No. A-F, Batam, Indonesia	30 years (expiring on 24 August 2030)	33,045.6	4 years	Industrial premises / Factory consists of PT Asia main office, production area for PT Asia	21 June 2010	39,016,541
Komplek Tunas Industrial Estate Type 6 No. 7-G, Batam, Indonesia	Leasehold (expiring on 24 August 2030)	6,985	8 years	Industrial premises	17 March 2011	4,886,404
Komplek Tunas Industrial Estate Type 6 No. 6-D, Batam, Indonesia	Leasehold (expiring on 24 August 2030)	1,257	8 years	Industrial premises	17 March 2011	824,420
Komplek Perumahan Diamond Palace Blok B No. 26, Batam, Indonesia	Leasehold (expiring on 13 August 2030)	170	9 years	Hostel	23 September 2011	417,313
Komplek Perumahan Purimas Residence Blok B3 No. 11, Batam, Indonesia	Leasehold (expiring on 28 May 2030)	132	8 years	Hostel	6 May 2011	150,178
Komplek Perumahan Purimas Residence Blok B3 No. 15, Batam, Indonesia	Leasehold (expiring on 28 May 2030)	132	8 years	Hostel	6 May 2011	150,178
Komplek Perumahan Purimas Residence Blok B5 No. 23, Batam, Indonesia	Leasehold (expiring on 28 May 2030)	132	10 years	Hostel	6 May 2011	150,178
Kawasan Industri Kelurahan IV, Batam Centre, Indonesia	Leasehold (expiring on 8 August 2031)	30,000	1 year	Industrial premises	10 January 2012	30,651,677
Komplek. Tunas Industrial Estate Type 6 No. 6-C, Batam, Indonesia	Leasehold (expiring on 24 August 2030)	942	8 years	Industrial premises	8 June 2012	800,247
Kawasan Daan Mogot Arcadia, G15 No.5, Jl Raya Daan Mogot KM21, Batu Ceper, Jakarta, Indonesia.	Freehold	864	1 year	Industrial premises	2 October 2012	2,512,394
Palu warehouse Jalan Trans Sulaiwesi, Taipa, Palu- Sulaiwesi Tengah 94352.	Leasehold (expiring on 21 January 2027)	15,551	7 years	Warehouse	13 December 2013	5,982,206
Makassar Warehouse Jl. Kima 10 Kav A/5-a Makassar 90241	Leasehold (expiring on 29 October 2028)	10,880	15 years	Warehouse	10 December 2013	4,156,822

Analysis of Shareholdings

AS AT 30 APRIL 2014

Authorised Share Capital	:	RM200,000,000-00
Issued and Fully Paid Up Share Capital	:	RM119,628,572.25 (including treasury shares) RM119,068,397.25 (excluding treasury shares)
Class of Shares	:	Ordinary shares of RM0.25 each
Voting Right	:	One vote per ordinary share
Number of Shareholders	:	2,757

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares held *	% of Issued Share Capital
Less than 100 shares	78	2.83	4,163	Neg
100 to 1,000 shares	289	10.48	156,587	0.03
1,001 to 10,000 shares	1,628	59.05	7,809,455	1.64
10,001 to 100,000 shares	642	23.29	19,036,203	4.00
100,001 to less than 5% of issued shares	118	4.28	170,506,713	35.80
5% and above of issued shares	2	0.07	278,760,468	58.53
TOTAL	2,757	100.00	476,273,589	100.00

Notes:

Neg – Negligible

* – Excluding 2,240,700 shares held as treasury shares

LIST OF SUBSTANTIAL SHAREHOLDERS

Name	No. of Shares held			
	Direct	%*	Indirect	%*
Guan Chong Resources Sdn Bhd	249,680,469	52.42	-	-
Misi Galakan Sdn Bhd	29,079,999	6.11	-	-

DIRECTORS' SHAREHOLDINGS

Name	No. of Shares held			
	Direct	%*	Indirect	%*
YBhg Dato Dr Mohamad Musa Bin Md Jamil	105,999	0.02	29,079,999 ⁽¹⁾	6.11
Tay Hoe Lian	12,819,691	2.69	249,980,469 ⁽²⁾	52.48
Tay How Sik @ Tay How Sick	6,239,548	1.31	60,000 ⁽³⁾	0.01
Hia Cheng	8,748,179	1.84	9,641,799 ⁽⁴⁾	2.02
Tay Puay Chuan	60,000	0.01	-	-
Tan Ah Lai	-	-	-	-

Analysis of Shareholdings

HOLDING COMPANY – GUAN CHONG RESOURCES SDN BHD

Name	No. of ordinary shares of RM1.00 each held			
	Direct	%	Indirect	%
Tay Hoe Lian	28,373	28.37	2,375 ⁽⁵⁾	2.38
Tay How Sik @ Tay How Sick	13,934	13.93	-	-
Hia Cheng	5,000	5.00	-	-

Other than as disclosed above, the Directors of the Company did not have any other interest in the shares of the Company and its related corporations as at the date of the Analysis of Shareholdings.

By virtue of his interest in the shares of Guan Chong Resources Sdn Bhd, Mr Tay Hoe Lian is also deemed to have an interest in the shares of all the subsidiaries to the extent that Guan Chong Resources Sdn Bhd has an interest.

Notes:

* Excluding 2,240,700 shares held as treasury shares.

(1) Deemed interest by virtue of his substantial shareholding in Misi Galakan Sdn Bhd

(2) Deemed interest by virtue of his substantial shareholding in Guan Chong Resources Sdn Bhd and his spouse, Yap Kim Hong's shareholding in the Company

(3) Deemed interest by virtue of his daughter, Tay Jing Ye's shareholding in the Company

(4) Deemed interest by virtue of his spouse, Wong Saow Lai's shareholding in the Company

(5) Deemed interest by virtue of his spouse, Yap Kim Hong's shareholding in Guan Chong Resources Sdn Bhd

GUAN CHONG BERHAD – ORDINARY SHARES THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares held	%*
1.	Guan Chong Resources Sdn Bhd	249,680,469	52.42
2.	Misi Galakan Sdn Bhd	29,079,999	6.11
3.	Syarikat PJ Enterprise Sdn Bhd	22,941,399	4.82
4.	Tay Hoe Lian	10,519,692	2.21
5.	Tan Hui Yang	9,106,348	1.91
6.	Hia Cheng	8,748,179	1.84
7.	Wong Saow Lai	8,641,799	1.81
8.	Ngiam Ping-Shin	8,096,199	1.70
9.	Tay Hoe Chin	7,289,763	1.53
10.	Lembaga Tabung Angkatan Tentera	6,624,250	1.39
11.	Tay See @ Tay Cheng Guan	6,437,837	1.35
12.	Tay How Sik @ Tay How Sick	5,889,849	1.24
13.	Lim Yock @ Lim Kiak	5,209,838	1.09
14.	Chan Lee Yin	4,843,699	1.02
15.	Oung Chee Seng	4,685,349	0.98
16.	Aw Ah Hock	4,469,729	0.94
17.	Tay How Seng	4,417,037	0.93

Analysis of Shareholdings

GUAN CHONG BERHAD – ORDINARY SHARES THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)

No.	Name of Shareholders	No. of Shares held	%*
18.	Tan Bak Keng @ Tang Ka Guek	3,744,024	0.79
19.	Goh Siew Lee	3,703,950	0.78
20.	Chuah Chai Pore	3,367,549	0.71
21.	Ker Wan Chew	3,353,600	0.70
22.	Wong Kin Har	2,964,800	0.62
23.	Tay How Yeh	2,695,346	0.57
24.	Ker Wan Chew	2,564,800	0.54
25.	Koi Chin Shean	2,380,698	0.50
26.	Lim Hwee Chen	1,356,799	0.28
27.	AMSEC Nominees (Tempatan) Sdn Bhd Amtrustee Bhd for AmGeneral Insurance Berhad-Shareholders' Fund	1,126,650	0.24
28.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Tay Hoe Lian (M52075)	1,000,000	0.21
29.	Wong Saow Lai	1,000,000	0.21
30.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Ko Chung Sen (MY1229)	817,500	0.17

Note:

* - Excluding 2,240,700 shares held as treasury shares.

Analysis of Warrantholdings

AS AT 30 APRIL 2014

Warrants 2011/2016 : 89,682,668 outstanding

DISTRIBUTION OF WARRANTHOLDINGS

Range of Warrantholdings	No. of Warrantholders	% of Warrantholders	No. of Warrants held	% of Outstanding Warrants
Less than 100 warrants	183	17.50	8,329	0
100 to 1,000 warrants	232	22.18	104,432	0.12
1,001 to 10,000 warrants	271	25.91	1,253,658	1.40
10,001 to 100,000 warrants	284	27.15	8,814,511	9.83
100,001 to less than 5% of issued warrants	74	7.07	26,499,226	29.55
5% and above of issued warrants	2	0.19	53,002,512	59.10
TOTAL	1,046	100.00	89,682,668	100.00

LIST OF SUBSTANTIAL WARRANTHOLDERS

Name	No. of Warrants held			
	Direct	%	Indirect	%
Guan Chong Resources Sdn Bhd	46,815,012	52.20	-	-
Misi Galakan Sdn Bhd	6,187,500	6.90	-	-
Syarikat PJ Enterprise Sdn Bhd	4,481,587	5.00	-	-

DIRECTORS' WARRANTHOLDINGS

Name	No. of Warrants held			
	Direct	%	Indirect	%
YBhg Dato Dr Mohamad Musa Bin Md Jamil	-	-	6,187,500 ⁽¹⁾	6.90
Tay Hoe Lian	2,234,941	2.49	46,815,012 ⁽²⁾	52.20
Tay How Sik @ Tay How Sick	982,471	1.10	11,250 ⁽³⁾	0.01
Hia Cheng	211,908	0.24	1,206,000 ⁽⁴⁾	1.34
Tay Puay Chuan	11,250	0.01	-	-
Tan Ah Lai	-	-	-	-

Notes:

- (1) Deemed interest by virtue of his substantial shareholding in Misi Galakan Sdn Bhd
- (2) Deemed interest by virtue of his substantial shareholding in Guan Chong Resources Sdn Bhd
- (3) Deemed interest by virtue of his daughter, Tay Jing Ye's warrantholding in the Company
- (4) Deemed interest by virtue of his spouse, Wong Saow Lai's warrantholding in the Company

Analysis of Warrantholdings

GUAN CHONG BERHAD - WARRANTS THIRTY (30) LARGEST WARRANTHOLDERS

No.	Name of Warrantholders	No. of Warrants held	%
1.	Guan Chong Resources Sdn Bhd	46,815,012	52.20
2.	Misi Galakan Sdn Bhd	6,187,500	6.90
3.	Syarikat PJ Enterprise Sdn Bhd	4,481,587	5.00
4.	Tay Hoe Chin	1,366,830	1.52
5.	Tay Hoe Lian	1,334,941	1.49
6.	Wong Saow Lai	1,006,000	1.12
7.	Tay How Sik @ Tay How Sick	982,471	1.10
8.	Aw Ah Hock	828,699	0.92
9.	Lim Yock @ Lim Kiak	761,218	0.85
10.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Yee Hui (KLC/KEN)	727,500	0.81
11.	Tan Bak Keng @ Tang Ka Guek	702,004	0.78
12.	Maybank Securities Nominees (Asing) Sdn Bhd Maybank Kim Eng Securities Pte Ltd for Kwek Keng Seng	600,000	0.67
13.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Tay Hoe Lian (M52075)	550,000	0.61
14.	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ko Chung Sen (Ipoh Garden-CL)	547,500	0.61
15.	Ngiam Ping-Shin	520,762	0.58
16.	Chin Lam Choong	486,900	0.54
17.	Pang Tse Ming	435,000	0.49
18.	Tay See @ Tay Cheng Guan	412,581	0.46
19.	Teng Pok Sang @ Teng Fook Sang	395,900	0.44
20.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Geok Lan	375,000	0.42
21.	UOB Kay Hian Nominees (Asing) Sdn Bhd exempt an for UOB Kay Hian Pte Ltd (A/c Clients)	364,550	0.41
22.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Yee Hui (8095789)	357,600	0.40
23.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for See Li Fung (Margin)	350,000	0.39
24.	RHB Capital Nominees (Tempatan) Sdn Bhd Chan Siau Jin (T-481079)	305,500	0.34
25.	Tee Tian Eng	300,000	0.33
26.	HLIB Nominees (Tempatan) Sdn Bhd Hong Leong Bank Bhd for Chua Choon Ghee	294,800	0.33
27.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kek Lian Lye	270,500	0.30
28.	Ng Mooi Lan	251,500	0.28
29.	Kek Eng Sian	237,000	0.26
30.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Yew Miw Chin @ Yew Meow Tin (MY1371)	235,500	0.26

Notice of

Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Tenth Annual General Meeting of GUAN CHONG BERHAD (“GCB” or “the Company”) will be held at Sri Ledang, 1st Hall, 2nd Floor, Mutiara Hotel, Jalan Dato Sulaiman, Taman Century, KB No. 779, 80990 Johor Bahru, Johor on Wednesday, 25 June 2014 at 11.00 a.m. for the following purposes:

AGENDA

As Ordinary Business

- | | |
|--|------------------------------|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2013 together with the Directors’ and Auditors’ Reports thereon. (Please refer to Note A). | |
| 2. To approve the payment of Directors’ fees for the financial year ended 31 December 2013. | Ordinary Resolution 1 |
| 3. To re-elect the following Directors who retire in accordance with Article 81 of the Company’s Articles of Association: | |
| i) YBhg Dato’ Dr. Mohamad Musa bin Md. Jamil | Ordinary Resolution 2 |
| ii) Tay Hoe Lian | Ordinary Resolution 3 |
| 4. To re-appoint Messrs Crowe Horwath as Auditors of the Company and to authorize the Directors to fix their remuneration. | Ordinary Resolution 4 |

As Special Business

To consider and if thought fit, to pass the following resolutions with or without any modifications as resolutions:-

- | | |
|---|------------------------------|
| 5. Authority to Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965 | Ordinary Resolution 5 |
| <p>“THAT subject always to the Companies Act, 1965 (“the Act”), the Articles of Association of the Company and the approvals of Bursa Malaysia Securities Berhad and other relevant governmental or regulatory bodies, where such approvals are necessary, the Directors be and are hereby empowered, pursuant to Section 132D of the Act, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten percent (10%) of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.”</p> | |

Notice of Annual General Meeting

6. **Proposed renewal of existing shareholders' mandate and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("RRPT")**

Ordinary Resolution 6

"THAT pursuant to paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements"), approval be and is hereby given for the renewal of the shareholders' mandate for the GCB Group to enter into and to give effect to specified RRPT and with the related parties as stated in Section 4.3.1 of the Circular to Shareholders dated 3 June 2014, which are necessary for its day-to-day operations, to be entered into by the GCB Group on the basis that these transactions are entered into on terms which are not more favorable to the Related Parties involved than generally available to the public and are not detrimental to the minority shareholders of the Company (hereinafter referred to as the "Proposed Renewal of Shareholders' Mandate");

"THAT pursuant to paragraph 10.09 of Listing Requirements of Bursa Securities, approval be and is hereby given for the new shareholders' mandate for the GCB Group to enter into and to give effect to additional RRPT and with specified class of the related parties as stated in Section 4.3.2 of the Circular to Shareholders dated 3 June 2014, which are necessary for its day-to-day operations, to be entered into by the GCB Group on the basis that these transactions are entered into on terms which are not more favorable to the related parties involved than generally available to the public and are not detrimental to the minority shareholders of the Company (hereinafter referred to as the "Proposed New Shareholders' Mandate");

"THAT the Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate are subject to annual renewal. In this respect, any authority conferred by the Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate shall only continue to be in force until:-

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which the Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate have been passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is the earlier;

AND THAT the Directors of the Company and/or any of them be and are hereby authorized to complete and do all such acts and things (including executing such documents as may be required) to give effect to the Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate."

Notice of Annual General Meeting

7. Proposed renewal of authority for the Company to purchase its own ordinary shares up to ten percent (10%) of its issued and paid-up capital Ordinary Resolution 7

“THAT, subject to the Companies Act, 1965 (“the Act”), rules, regulations and orders made pursuant to the Act, provisions of the Company’s Memorandum and Articles of Association and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and any other relevant authority, the Company be and is hereby given full authority, to seek shareholders’ approval for the renewal of authority for the Company to purchase and/or such amount of ordinary shares of RM0.25 each in the Company (“Shares”) through Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that:

- (i) the aggregate number of Shares so purchased and/or held pursuant to this ordinary resolution (“Purchased Shares”) does not exceed ten percent (10%) of the total issued and paid-up capital of the Company; and
- (ii) the maximum amount of funds to be allocated for the Purchased Shares shall not exceed the aggregate of the retained profits and/or share premium of the Company”;

“THAT the Directors be and are hereby authorised to decide at their discretion either to retain the Purchased Shares as treasury shares (as defined in Section 67A of the Act) and/or to cancel the Purchased Shares and/or to retain the Purchased Shares as treasury shares for distribution as share dividends to the shareholders of the Company and/or be resold through Bursa Securities in accordance with the relevant rules of Bursa Securities and/or cancelled subsequently and/or to retain part of the Purchased Shares as treasury shares and/or cancel the remainder and to deal with the Purchased Shares in such other manner as may be permitted by the Act, rules, regulations, guidelines, requirements and/or orders of Bursa Securities and any other relevant authorities for the time being in force;

AND THAT such approval and authorisation shall only continue to be in force until:-

- (i) the conclusion of the next Annual General Meeting (“AGM”) of the Company following the general meeting at which such resolution was passed at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM after that date is required by law to be held; or
- (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first;

AND FURTHER THAT the Directors of the Company be authorised to do all such acts and things (including, without limitation executing all such documents as may be required) as they may consider expedient or necessary to give full effect to this mandate.”



Notice of Annual General Meeting

8. Proposed retention of Independent Director

Ordinary Resolution 8

“THAT approval be and is hereby given to Tay Puay Chuan, who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as Senior Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012.

9. To transact any other business for which due notice shall have been given in accordance with the Companies Act, 1965.

By order of the Board,

PANG KAH MAN (MIA 18831)
Secretary

Muar, Johor
3 June 2014

Notes:

- (A) This Agenda item is meant for the discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders and hence, is not put forward for voting.
 1. Only depositors whose names appear in the Record of Depositors as at 18 June 2014 shall be regarded as members and be entitled to attend, speak and vote at the Meeting.
 2. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote on a show of hands or on a poll in his stead. These shall be no restriction as to the qualification of the proxy and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
 3. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“Omnibus Account”), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
 4. To be valid, the proxy form duly completed must be deposited at the registered office of the Company situated at No. 7 (1st Floor) Jalan Pesta 1/1, Taman Tun Dr. Ismail 1, Jalan Bakri 84000 Muar, Johor not less than forty-eight (48) hours before the time for holding the meeting provided that in the event the member(s) duly executes the proxy form but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, provided always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member(s).
 5. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provisions of Section 149(1)(c) of the Companies Act, 1965 are complied with. If the appointor is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
 6. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- (B) Explanatory Note Under Special Business:**
7. **Ordinary Resolution no. 5**
Authority to Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965
 - (a) The proposed Ordinary Resolution no.5, if passed, will empower the Directors of the Company, from the date of the forthcoming Annual General Meeting (“AGM”) to allot and issue shares in the Company up to an amount not exceeding ten percent (10%) of the issued capital of the Company for the time being for such purposes as they may deem fit and in the interest of the Company. This authority, unless revoked or varied at a general meeting will expire at the conclusion of the next AGM of the Company.
 - (b) The mandate now sought is a renewal from the previous mandate obtained at the last AGM held on 26 June 2013 which will expire at the conclusion of the forthcoming AGM.
 - (c) The Company did not issue any new shares based on the previous mandate obtained at the last Annual General Meeting.
 - (d) The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

Notice of Annual General Meeting

Notes (Cont'd):

8. Ordinary Resolution no. 6

Proposed renewal of the existing shareholders' mandate and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("RRPT") ("Proposed Shareholders' Mandate")

The proposed Ordinary Resolution no. 6, if passed, will approve RRPT which are necessary for the Group's day-to-day operations that to be entered into by the Company and its subsidiaries with the respective related parties from the forthcoming Annual General Meeting ("AGM") to the next AGM; subject to the transactions are entered into on terms which are not more favorable to the related parties involved than generally available to the public and are not detrimental to the minority shareholders of the Company. Further details on the Proposed Shareholders' Mandate are provided in the Circular to Shareholders dated 3 June 2014.

9. Ordinary Resolution no. 7

Proposed renewal of authority for the Company to purchase its own ordinary shares up to ten percent (10%) of its issued and paid-up capital ("Proposed Shares Buy-Back Authority")

The proposed Ordinary Resolution no. 8, if passed, will empower the Directors to purchase shares in the Company up to an amount not exceeding ten percent (10%) of the issued and paid-up share capital of the Company as they consider would be in the interest of the Company. Further details on the Proposed Share Buy-Back Authority are provided in the Statement to Shareholders dated 3 June 2014.

10. Ordinary Resolution no. 8

Proposed Retention of Independent Director

The Board has assessed the independence of the Director, Tay Puay Chuan who has served as Independent Non-Executive Director of the Company for a cumulative term of nine (9) years, and recommended him to continue to act as Senior Independent Non-Executive Director of the Company based on the following justifications:-

- i) He fulfilled the criteria under the definition of an Independent Director as stated in the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), and thus, he would be able to function as check and balance, provide a broader view and brings an element of objectivity to the Board.
- ii) During his tenure in office, he has not developed, established or maintained any significant relationship which would impair his independence as an Independent Director with the Executive Directors and major shareholders other than normal engagements and interactions on a professional level consistent and expected of them to carry out his duties as Senior Independent Non-Executive Director and Chairman or member of the Board's Committees;
- iii) During his tenure in office, he has never transacted or entered into any transactions with, nor provided any services to the Company and its subsidiaries, within the scope and meaning as set forth under Paragraph 5 of Practice Note 13 of Listing Requirements;
- iv) He is currently not sitting on the board of any other public and/or private companies having the same nature of business as that of the Company and its subsidiaries;
- v) During his tenure in office as Senior Independent Non-Executive Directors in the Company, he has not been offered or granted any options by the Company. Other than Director's fees and allowances paid which has been an industry norm and within acceptable market rates, duly disclosed in the Annual Reports, no other incentives or benefits of whatsoever nature had been paid to him by the Company;
- vi) His vast experience and legal background enabled him to provide the Board with a diverse set of experience, expertise and independent judgment; and
- vii) He has performed his duty diligently and in the best interest of the Company and provides a broader view, independent and balanced assessment of proposals from the management.



Statement Accompanying Notice of Annual General Meeting

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

DETAILS OF INDIVIDUALS WHO ARE STANDING FOR ELECTION AS DIRECTORS

No individual is seeking election as a Director at the Tenth Annual General Meeting of the Company.



No of shares held

I/We, _____
of _____
being a member/members of GUAN CHONG BERHAD, hereby appoint _____
of _____
or failing him/her, _____
of _____

as my/our proxy to vote for me/us on my/our behalf at the Tenth Annual General Meeting of the Company to be held at Sri Ledang, 1st Hall, 2nd Floor, Mutiara Hotel, Jalan Dato Sulaiman, Taman Century, KB No. 779, 80990 Johor Bahru, Johor on Wednesday, 25 June 2014 at 11:00 a.m and at any adjournment thereof in respect of my/our shareholding in the manner indicated below:-

No.	Ordinary Resolution	For	Against
1	Approval of Directors' Fees for the financial year ended 31 December 2013		
2	Re-election of YBhg Dato' Dr. Mohamad Musa bin Md. Jamil as Director		
3	Re-election of Tay Hoe Lian as Director		
4	Re-appointment of Messrs Crowe Horwath as Auditors		
5	Authority for Directors to issue shares pursuant to Section 132D of the Companies Act, 1965		
6	Proposed Renewal of Shareholders' Mandate and New Shareholder' Mandate		
7	Proposed Renewal of Share Buy-Back Authority		

Please indicate with a "x" in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific instructions, your proxy will vote or abstain as he/she thinks fit

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

Proxy	No. of Shares	Percentage
1		
2		
Total		100%

Signature of Shareholder or Common Seal

Dated this _____ day of _____ 2014

Notes :

- Only depositors whose names appear in the Record of Depositors as at 18 June 2014 shall be regarded as members and be entitled to attend, speak and vote at the Meeting.
- A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote on a show of hands or on a poll in his stead. These shall be no restriction as to the qualification of the proxy and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
- To be valid, the proxy form duly completed must be deposited at the registered office of the Company situated at No. 7 (1st Floor) Jalan Pesta 1/1, Taman Tun Dr. Ismail 1, Jalan Bakri 84000 Muar, Johor not less than forty-eight (48) hours before the time for holding the meeting provided that in the event the member(s) duly executes the proxy form but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, provided always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member(s).
- A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provisions of Section 149(1)(c) of the Companies Act, 1965 are complied with. If the appointor is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
- Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

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AFFIX
STAMP

THE COMPANY SECRETARY

GUAN CHONG BERHAD (646226-K)
No. 7 (1st Floor), Jalan Pesta 1/1
Taman Tun Dr Ismail 1, Jalan Bakri
84000 Muar
Johor Darul Takzim

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