

**INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018**

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
 AND OTHER COMPREHENSIVE INCOME**

For the period ended 31 December 2018 – unaudited

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Quarter Ended 31 Dec 2018 RM'000	Preceding Year Corresponding Quarter Ended 2017 RM'000	Current Year To-Date Ended 31 Dec 2018 RM'000	Preceding Year To-Date Ended 2017 RM'000
Revenue		651,292	491,438	2,261,346	2,147,914
<b>Profit from operations</b>		61,630	51,712	233,698	137,331
Finance costs		(6,272)	(8,242)	(25,289)	(23,152)
Share of profit / (loss) of associates		(107)	(220)	1,054	(739)
<b>Profit before tax</b>	A 10	55,251	43,250	209,463	113,440
Tax expense	A 11	7,770	(10,537)	(20,209)	(22,395)
<b>Profit for the period</b>		63,021	32,713	189,254	91,045
<b>Other comprehensive income, net of tax</b>					
Exchange differences on translation foreign operations		15	(11,038)	9,064	(25,140)
Share of other comprehensive expense of associates		(1,909)	1,461	(1,960)	1,461
Remeasurement of employee benefits liability		594	(59)	594	(59)
<b>Total other comprehensive (loss)/income for the period, net of tax</b>		(1,300)	(9,636)	7,698	(23,738)
<b>Total comprehensive income for the period</b>		61,721	23,077	196,952	67,307
<b>Profit attributable to:</b>					
Owners of the Company		63,021	32,713	189,254	91,045
Non-controlling interests		-	-	-	-
<b>Profit for the period</b>		63,021	32,713	189,254	91,045
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		61,721	23,077	196,952	67,307
Non-controlling interests		-	-	-	-
<b>Total comprehensive income for the period</b>		61,721	23,077	196,952	67,307
<b>Basic earnings per ordinary share (sen)</b>	A 12	13.19	6.84	39.60	19.05

The above condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

**INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2018 – unaudited

	Note	31 December 2018 RM'000	31 December 2017 RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		459,342	373,033
Prepaid lease payments	A13	10,187	10,669
Intangible assets	A14	11,956	11,957
Investment property		23,296	24,170
Investment in associates		6,778	7,684
		<b>511,559</b>	<b>427,513</b>
<b>Current assets</b>			
Derivative financial assets		40,269	6,604
Inventories		869,442	862,190
Trade and other receivables		304,826	238,221
Tax recoverable		-	5,717
Deposits, bank and cash balances		44,921	39,924
		<b>1,259,458</b>	<b>1,152,656</b>
<b>Total assets</b>		<b>1,771,017</b>	<b>1,580,169</b>
<b>Equity</b>			
Share capital		121,832	121,832
Treasury shares		(5,347)	(5,195)
Foreign currency translation reserve		44,177	37,073
Retained profits		506,175	325,883
<b>Total equity</b>		<b>666,837</b>	<b>479,593</b>
<b>Non-current liabilities</b>			
Loans and borrowings	A16	49,012	17,463
Provision for employee benefit		933	1,653
Deferred tax liabilities		35,950	32,101
		<b>85,895</b>	<b>51,217</b>
<b>Current liabilities</b>			
Derivative financial liabilities		32,029	20,044
Trade and other payables		418,975	253,321
Loans and borrowings	A16	553,355	769,842
Tax payable		13,926	6,152
		<b>1,018,285</b>	<b>1,049,359</b>
<b>Total liabilities</b>		<b>1,104,180</b>	<b>1,100,576</b>
<b>Total equity and liabilities</b>		<b>1,771,017</b>	<b>1,580,169</b>
<b>Net assets per share (sen)</b>			
<b>attributable to owners of the Company</b>		<b>139.55</b>	<b>100.35</b>

The above condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

**INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the period ended 31 December 2018 – unaudited

	Non-distributable			Foreign Currency Translation Reserve RM'000	Distributable	Total Equity RM'000
	Share Capital RM'000	Treasury Share RM'000	Share Premium RM'000		Retained Profits RM'000	
<b>Balance as at 1 January 2018</b>	121,832	(5,195)	-	37,073	325,883	479,593
Profit for the period	-	-	-	-	189,254	189,254
Other comprehensive income for the period:						
foreign currency translation differences	-	-	-	9,064	-	9,064
share of other comprehensive expense of associates	-	-	-	(1,960)	-	(1,960)
remeasurement of post-employment benefit obligation, net of tax	-	-	-	-	594	594
<b>Total comprehensive (loss)/income for the period</b>	-	-	-	7,104	189,848	196,952
<b>Transactions with owners</b>						
Purchase of treasury shares	-	(152)	-	-	-	(152)
Dividends	-	-	-	-	(9,556)	(9,556)
<b>Contribution from/distribution to owners of the Company</b>	-	(152)	-	-	(9,556)	(9,708)
<b>Balance at 31 December 2018</b>	121,832	(5,347)	-	44,177	506,175	666,837
<b>Balance as at 1 January 2017</b>	120,040	(5,195)	1,792	60,752	246,844	424,233
Profit for the year	-	-	-	-	91,045	91,045
Other comprehensive (loss)/income for the year:						
foreign currency translation differences	-	-	-	(25,140)	-	(25,140)
remeasurement of post-employment benefit obligation, net of tax	-	-	-	-	(58)	(58)
share of other comprehensive income of associates	-	-	-	1,461	-	1,461
<b>Total comprehensive (loss)/income for the year</b>	-	-	-	(23,679)	90,987	67,308
<b>Transactions with owners</b>						
Dividend paid	-	-	-	-	(11,948)	(11,948)
Transfer pursuant to Companies Act 2016*	1,792	-	(1,792)	-	-	-
<b>Balance at 31 December 2017</b>	121,832	(5,195)	-	37,073	325,883	479,593

\*Pursuant to the Companies Act 2016, the credit balance in the share premium account has been transferred to the share capital account. The above condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

**INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the period ended 31 December 2018 – unaudited

	Twelve Months Ended	
	31-Dec-18	31-Dec-17
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	209,463	113,440
Adjustments for:		
Non-cash and non-operating items	15,731	40,569
Operating profit before working capital changes	225,194	154,009
Changes in working capital		
Net change in current assets	(89,594)	(222,389)
Net change in current liabilities	175,094	29,564
Cash generated from/(used in) operations	310,694	(38,816)
Tax paid	(1,084)	(8,048)
Tax refund	4,197	28
Interest paid	(25,289)	(23,152)
Interest received	424	584
Employee benefit paid	-	(5)
<b>Net cash from operating activities</b>	<b>288,942</b>	<b>(69,409)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(108,772)	(49,377)
Payment to holding company	(4,301)	(7,104)
Acquisition of Subsidiary	-	(13,122)
Proceeds from disposal of PPE	-	3,503
Payment for the lease rental	(124)	(124)
<b>Net cash used in investing activities</b>	<b>(113,197)</b>	<b>(66,224)</b>
<b>Cash flows from financing activities</b>		
Bank and other borrowings	(224,988)	128,453
Changes in Fixed deposit pledged	(728)	(173)
Purchase of treasury shares	(152)	-
Dividend paid	(9,556)	(11,948)
<b>Net cash used in financing activities</b>	<b>(235,424)</b>	<b>116,332</b>
Net increase / (decrease) in cash and cash equivalents	(59,679)	(19,301)
Effect of exchange rate changes	22,489	(2,194)
Cash and cash equivalents at the beginning of financial period	26,938	48,433
<b>Cash and cash equivalents at the end of financial period</b>	<b>(10,252)</b>	<b>26,938</b>
<b>Cash and cash equivalents at the end of financial period comprise of :</b>		
Deposits, bank and cash balances	44,921	39,924
Bank overdrafts	(41,345)	
	3,576	39,924
Less : Non-cash and cash equivalents		
Fixed deposit pledged to bank as collateral	(13,828)	(12,986)
	<b>(10,252)</b>	<b>26,938</b>

The above condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2018**

**A. Explanatory notes pursuant to MFRS 134**

**A1. Basis of preparation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of Guan Chong Berhad (“GCB” or the “Company”) and its subsidiaries (“Group”) for the financial year ended 31 December 2017. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2017.

**A2. Significant accounting policies**

The audited financial statements of the Group for the year ended 31 December 2017 were prepared in accordance with MFRS. The significant accounting policies adopted in preparing this Condensed Report are consistent with those of the audited financial statements for the financial year ended 31 December 2017, except for those standards, amendments and IC interpretations which are effective from the annual period beginning on or after 1 January 2018. The adoptions of these standards, amendments and IC interpretations have no material impact on this Condensed Report.

**A3. Seasonal or cyclical factors**

The cocoa processing industry is, to a certain extent, subject to the seasonal pattern of the consumption of cocoa-based products within a year.

**A4. Unusual nature and amounts affecting assets, liabilities, equity, net income or cash flows**

Other than those stated in the notes, there are no other items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size, or incidence.

**A5. Material changes in estimates**

There was no material changes in estimates of amounts reported that will have a material effect during the current quarter under review.

**A6. Issuances and repayment of debt and equity securities**

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current quarter under review.

**A7. Dividends paid**

There was no dividend paid by the Company during the current quarter under review.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2018**

**A8. Segmental information**

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

Twelve Months Ended 31 December 2018	Malaysia	Singapore	Indonesia	Others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Geographical Segments:</b>						
Total external revenue	936,135	1,195,534	74,472	55,205	-	2,261,346
Internal segment revenue	1,143,606	2,356,651	693,186	42	(4,193,485)	-
<b>Total revenue</b>	<b>2,079,741</b>	<b>3,552,185</b>	<b>767,658</b>	<b>55,247</b>	<b>(4,193,485)</b>	<b>2,261,346</b>
<b>Segment result</b>	<b>114,245</b>	<b>118,396</b>	<b>28,187</b>	<b>5,485</b>	<b>(4,578)</b>	<b>261,735</b>
Interest income						424
Finance cost						(25,289)
Depreciation & amortisation						(27,407)
Profit before tax						209,463
Tax expenses						(20,209)
Profit for the period						189,254
<b>Segment assets</b>	<b>896,077</b>	<b>273,435</b>	<b>515,270</b>	<b>86,235</b>	<b>-</b>	<b>1,771,017</b>
<b>Total assets</b>						<b>1,771,017</b>
<b>Segment liabilities</b>	<b>58,908</b>	<b>336,300</b>	<b>55,583</b>	<b>1,146</b>	<b>-</b>	<b>451,937</b>
Deferred tax liabilities						35,950
Tax payables						13,926
Borrowings						602,367
						1,104,180

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2018**

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

Twelve Months Ended 31 December 2017	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
<b>Geographical Segments:</b>						
Total external revenue	1,005,184	994,329	89,883	58,518	-	2,147,914
Internal segment revenue	721,336	1,619,443	81,762	-	(2,422,541)	-
<b>Total revenue</b>	<b>1,726,520</b>	<b>2,613,772</b>	<b>171,645</b>	<b>58,518</b>	<b>(2,422,541)</b>	<b>2,147,914</b>
<b>Segment result</b>	<b>79,242</b>	<b>67,641</b>	<b>23,408</b>	<b>(7,518)</b>	<b>-</b>	<b>162,773</b>
Interest income						584
Finance cost						(23,152)
Depreciation & amortisation						(26,765)
Profit before tax						113,440
Tax expenses						(22,395)
Profit for the period						91,045
<b>Segment assets</b>	<b>759,753</b>	<b>468,080</b>	<b>276,453</b>	<b>70,166</b>	<b>-</b>	<b>1,574,452</b>
Deferred tax assets						5,717
Tax recoverable						-
<b>Total assets</b>						<b>1,580,169</b>
<b>Segment liabilities</b>	<b>47,836</b>	<b>213,277</b>	<b>9,356</b>	<b>4,548</b>	<b>-</b>	<b>275,017</b>
Deferred tax liabilities						32,101
Tax payables						6,152
Borrowings						787,306
						1,100,576

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

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2018**

**A10. Profit before tax**

Included in the profit before tax are the following items:

	<b>Current Quarter Ended 31-Dec-18 RM'000</b>	<b>Current Year To-Date 31-Dec-18 RM'000</b>
Amortisation of prepaid lease payments	143	547
Depreciation	7,175	26,859
Realised loss on foreign exchange	18,072	12,820
Unrealised gain on foreign exchange	(25,479)	(11,554)
Unrealised gain on forward currency contracts	(1,529)	(11,546)
Realised loss / (gain) on commodity future contracts	3,335	(23,598)
Unrealised gain on commodity future contracts	(13,043)	(4,036)
Unrealised loss / (gain) on commodity option contracts	853	(5,928)
Unrealised gain on currency option contracts	(34)	-
Impairment loss on trade receivables	10,616	13,031
Interest expense	6,272	25,289
Interest income	(114)	(424)
Unrealised loss on interest rate swap	10	47

**A11. Tax expense**

	<b>Current Quarter Ended</b>		<b>Current Year To-Date Ended</b>	
	<b>31-Dec-18 RM'000</b>	<b>31-Dec-17 RM'000</b>	<b>31-Dec-18 RM'000</b>	<b>31-Dec-17 RM'000</b>
Income tax expense:				
- Current period estimate	(11,005)	(4,099)	16,873	7,759
- Underprovision in prior year	74	1,434	175	1,434
Withholding tax	-	-		-
Deferred tax				
- Originated of temporary differences	3,676	13,769	3,676	13,769
- (Over) provision in prior year	(515)	(652)	(515)	(652)
- Real property gain tax	-	85		85
	<b>(7,770)</b>	<b>10,537</b>	<b>20,209</b>	<b>22,395</b>

Income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year.



**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2018**

**A12. Earnings per share**

Basic earnings per share are calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the financial period as follows:-

	Current Quarter Ended		Current Year To-Date Ended	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Profit for the financial period attributable to owners of the Company (RM'000)	63,021	32,713	189,254	91,045
Weighted average number of ordinary shares in issue ('000)	477,862	477,918	477,862	477,918
Basic earnings per share (sen)	13.19	6.84	39.60	19.05

**A13. Prepaid lease payments**

	31-Dec-18	31-Dec-17
	RM'000	RM'000
<b>Cost:</b>		
At 1 January	12,501	12,501
Add: Payment for sub-leases	-	-
Additions	-	-
	12,501	12,501
Less: Amortisation of prepaid lease payments	(547)	(847)
Sub-lease rental	124	123
Foreign exchange difference	(1,891)	(1,108)
Disposal of subsidiaries	-	-
At 31 December	10,187	10,669
<b>Analysed as:</b>		
Sub-leases of warehouse	553	677
Leasehold land	9,634	9,992
	10,187	10,669

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2018**

**A14. Intangible assets**

	<b>Goodwill RM'000</b>	<b>Trademark RM'000</b>	<b>Total RM'000</b>
<b>Cost:</b>			
At 1 January 2017	11,945	-	11,945
Additions	-	14	14
Translation differences	-	(1)	(1)
At 31 December 2017 and 1 January 2018	11,945	13	11,958
Additions	-	-	-
Acquisition of subsidiary	-	-	-
Adjustment	-	-	-
At 31 December 2018	11,945	13	11,958
<b>Accumulated amortisation and impairment</b>			
At 1 January 2017	-	-	-
Amortisation	-	(1)	(1)
Impairment	-	-	-
At 31 December 2017 and 1 January 2018	-	(1)	(1)
Amortisation	-	(1)	(1)
Impairment	-	-	-
At 31 December 2018	-	(2)	(2)
<b>Net carrying amount:</b>			
At 31 December 2017	11,945	12	11,957
At 31 December 2018	11,945	11	11,956

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2018**

**A15. Fair value information**

The Group uses the following hierarchy for determining the fair value of all financial instruments carried at fair value:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – Inputs are unobservable inputs for the asset or liability.

As at reporting date, the Group held the following financial assets or liabilities that are measured at fair value:

	Fair value of financial instruments carried at fair value			
	Level 1 RM000	Level 2 RM000	Level 3 RM000	Total RM000
<b>31 December 2018</b>				
<b>Financial assets</b>				
<b>Derivative assets :</b>				
- forward foreign currency contracts	-	5,019	-	5,019
- commodity futures contract	30,041	-	-	30,041
- commodity option contracts	5,209	-	-	5,209
	<b>35,250</b>	<b>5,019</b>	<b>-</b>	<b>40,269</b>
<b>Financial liabilities</b>				
<b>Derivative liabilities :</b>				
- forward foreign currency contracts	-	1	-	1
- commodity futures contract	26,502	-	-	26,502
- commodity option contracts	5,526	-	-	5,526
	<b>32,028</b>	<b>1</b>	<b>-</b>	<b>32,029</b>
<b>31 December 2017</b>				
<b>Financial assets</b>				
<b>Derivative assets :</b>				
- forward foreign currency contracts	-	1,321	-	1,321
- commodity futures contract	4,314	-	-	4,314
- option foreign currency contracts	-	53	-	53
- commodity option contracts	916	-	-	916
	<b>5,230</b>	<b>1,374</b>	<b>-</b>	<b>6,604</b>
<b>Financial liabilities</b>				
<b>Derivative liabilities :</b>				
- forward foreign currency contracts	-	7,889	-	7,889
- commodity futures contract	4,404	-	-	4,404
- commodity option contracts	7,751	-	-	7,751
	<b>12,155</b>	<b>7,889</b>	<b>-</b>	<b>20,044</b>

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2018**

**A15. Fair value information (Continued)**

As at reporting date, the Group held the following financial assets or liabilities that are not measured at fair value (continued):

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>31 December 2018</b>				
<b>Other financial liabilities :</b>				
- Hire purchases	-	881	-	881
	-	881	-	881
<b>31 December 2017</b>				
<b>Other financial liabilities :</b>				
- Hire purchases	-	131	-	131
	-	131	-	131

**A16. Loans and borrowings**

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

	Denominated in currency	31-Dec-18 RM'000	31-Dec-17 RM'000
<b>Current</b>			
- Bank overdrafts	RM	41,344	-
- Term loans	USD	30,348	31,647
- Trade loans	USD	406,988	683,662
- Trade loans	GBP	5,086	-
- Revolving credit	RM	69,417	54,402
- Obligation under finance leases	RM	172	131
		553,355	769,842
<b>Non-Current</b>			
- Term loans	USD	48,302	17,463
- Obligation under finance leases	RM	710	-
		49,012	17,463
		<b>602,367</b>	<b>787,305</b>

**A17. Contingent liabilities**

	Group and company	
	31-Dec-18 RM'000	31-Dec-17 RM'000
<b>Corporate guarantees - unsecured</b>		
Issued to banks for banking facilities granted to subsidiaries		
- limit of guarantee	1,712,047	1,325,786
- amount utilised	(610,244)	(823,618)

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2018**

**A18. Commitments**

**(a) Lease commitments**

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

	<b>RM'000</b>
Authorised and contracted for	5,313
	<b><u>5,313</u></b>

**(b) Capital commitments**

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

	<b>RM'000</b>
<b>Authorised and contracted for :</b>	
Property, plant and equipment	40,175
	<b><u>40,175</u></b>

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

There was no material events subsequent to the current quarter ended 31 December 2018 that have not been reflected in this quarterly report.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2018**

**B. Explanatory notes pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A**

**B1. Review of performance**

The Group's revenue of RM651.3 million for the current quarter ended 31 December 2018 is higher than the revenue in the previous corresponding quarter ended 31 December 2017 of RM491.4 million. The increase of 32.5% in turnover is mainly due to increase in sales volume of cocoa products.

The Group made a profit before tax for the quarter 31 December 2018 of RM55.3 million as compared with the profit before tax of RM43.3 million in the preceding year corresponding quarter ended 31 December 2017. This is mainly due to improved margin for current quarter ended 31 December 2018 as compared to preceding year corresponding quarter ended 31 December 2017.

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

The Group recorded a higher profit before tax of RM55.3 million for the current quarter as compared to a profit before tax of RM53.9 million in the immediate preceding quarter. This is mainly due to improved margin.

**B3. Commentary of prospects**

The Group expects the business environment for the financial year ending 31 December 2019 to be less volatile. We expect that our overall performance remain positive as strong growth of global demand for chocolate is projected.

The Group will continue to focus on efforts to explore new markets for its wide range of cocoa ingredients, optimise production according to market conditions and expand overall grinding capacity.

**B4. Profit forecast or profit guarantee**

There were no profits forecast or profit guarantee issued by the Group.

**B5. Corporate proposals**

There were no corporate proposals announced but not completed as at the date of this report.

[Intentionally left blank]

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2018**

**B6. Derivative financial instruments**

Details of the outstanding derivative financial instruments as at 31 December 2018 are as follows:

	Derivative	Contract Amount RM'000	Fair Value - Net Gains/ (Losses) RM'000	Purpose
1	Forward Foreign Exchange Contracts: Sale Contracts - Less than 1 year	265,810	5,041	For hedging currency risk
	Purchase Contracts - Less than 1 year	10,849	(28)	
2	Commodity Futures Sale Contracts - Less than 1 year	403,031	(31,695)	For hedging price risk
	- 1 year to 3 years	868	(67)	
	Purchase Contracts - Less than 1 year	340,679	34,856	
	- 1 year to 3 years	1,739	130	

The fair values of the above derivatives are determined by using the market rates at the end of reporting period and changes in the fair values are recognised in the profit and loss. The subsequent cumulative change in the fair value of the commitment attributable to the hedged risk is recognised as an asset or a liability with the corresponding gain or loss recognised in the profit or loss.

There have been no significant changes to the Group's exposure credit risk, market risk and liquidity risk from the previous financial year. Also, there have been no changes to the Group's risk management objectives, policies and processes since the previous financial year end.

**B7. Material litigation**

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

**B8. Dividend declared or recommended**

On 18 February 2019, the board declared the special dividend of 2 sen per ordinary share in respect of financial year ending 31 December 2018 to shareholders registered in the Record of Depositors at close of business on 6 March 2019 and subsequently will be paid on 29 March 2019.

**B9. Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements for the year ended 31 December 2017 was not qualified.

Tay Hoe Lian  
 Managing Director  
 Dated: 18.02.2019