

**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

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

For the period ended 31 March 2018 – unaudited

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER		
		Current Quarter Ended	Preceding Year Corresponding Quarter Ended	Current Year To-Date Ended	Preceding Year To-Date Ended	
		31 March		31 March		
		2018	2017	2018	2017	
		Note	RM'000	RM'000	RM'000	RM'000
Revenue			519,689	631,314	519,689	631,314
<b>Profit from operations</b>			54,471	11,773	54,471	11,773
Finance costs			(7,853)	(5,170)	(7,853)	(5,170)
Share of profit of associates			58	164	58	164
<b>Profit before tax</b>		A10	46,676	6,767	46,676	6,767
Tax expense		A11	(7,344)	(1,014)	(7,344)	(1,014)
<b>Profit for the period</b>			39,332	5,753	39,332	5,753
<b>Other comprehensive income, net of tax</b>						
Exchange differences on translation						
	foreign operations		(10,725)	(3,149)	(10,725)	(3,149)
Share of other comprehensive income of associates						
			434	-	434	-
<b>Total other comprehensive (loss)/income for the period, net of tax</b>						
			(10,291)	(3,149)	(10,291)	(3,149)
<b>Total comprehensive income for the period</b>						
			29,041	2,604	29,041	2,604
<b>Profit attributable to:</b>						
Owners of the Company						
			39,332	5,753	39,332	5,753
Non-controlling interests						
			-	-	-	-
<b>Profit for the period</b>						
			39,332	5,753	39,332	5,753
<b>Total comprehensive income attributable to:</b>						
Owners of the Company						
			29,041	2,604	29,041	2,604
Non-controlling interests						
			-	-	-	-
<b>Total comprehensive income for the period</b>						
			29,041	2,604	29,041	2,604
<b>Basic earnings per ordinary share (sen)</b>						
		A12	8.23	1.20	8.23	1.20

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 FIRST QUARTER ENDED 31 MARCH 2018**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 March 2018 – unaudited

		<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
	<b>Note</b>		
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		372,491	373,033
Prepaid lease payments	A13	10,048	10,669
Intangible assets	A14	11,956	11,957
Investment property		23,650	24,170
Investment in associates		8,177	7,684
		<b>426,322</b>	<b>427,513</b>
<b>Current assets</b>			
Derivative financial assets		13,794	6,604
Inventories		683,570	862,190
Trade and other receivables		283,730	238,221
Tax recoverable		3,955	5,717
Deposits, bank and cash balances		41,835	39,924
		<b>1,026,884</b>	<b>1,152,656</b>
<b>Total assets</b>		<b>1,453,206</b>	<b>1,580,169</b>
<b>Equity</b>			
Share capital		121,832	121,832
Treasury shares		(5,222)	(5,195)
Foreign currency translation reserve		26,782	37,073
Retained profits		365,215	325,883
<b>Total equity</b>		<b>508,607</b>	<b>479,593</b>
<b>Non-current liabilities</b>			
Loans and borrowings	A16	13,439	17,463
Provision for employee benefit		1,578	1,653
Deferred tax liabilities		31,433	32,101
		<b>46,450</b>	<b>51,217</b>
<b>Current liabilities</b>			
Derivative financial liabilities		35,150	20,044
Trade and other payables		130,109	253,321
Loans and borrowings	A16	724,656	769,842
Tax payable		8,234	6,152
		<b>898,149</b>	<b>1,049,359</b>
<b>Total liabilities</b>		<b>944,599</b>	<b>1,100,576</b>
<b>Total equity and liabilities</b>		<b>1,453,206</b>	<b>1,580,169</b>
<b>Net assets per share (sen)</b>			
attributable to owners of the Company		106.43	100.39

The above condensed consolidated statement of financial positioning 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 FIRST QUARTER ENDED 31 MARCH 2018**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the period ended 31 March 2018 – unaudited

	Non-distributable				Distributable	
	Share Capital RM'000	Treasury Share RM'000	Share Premium RM'000	Foreign Currency Translation Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
<b>Balance as at 1 January 2018</b>	121,832	(5,195)	-	37,073	325,883	479,593
Profit for the period	-	-	-	-	39,332	39,332
Other comprehensive income for the period:						
foreign currency translation differences	-	-	-	(10,725)	-	(10,725)
share of other comprehensive income of associates	-	-	-	434	-	434
<b>Total comprehensive (loss)/income for the period</b>	-	-	-	(10,291)	39,332	29,041
<b>Transactions with owners</b>						
Purchase of treasury shares	-	(27)	-	-	-	(27)
<b>Balance at 31 March 2018</b>	121,832	(5,222)	-	26,782	365,215	508,607
<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 FIRST QUARTER ENDED 31 MARCH 2018**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the period ended 31 March 2018 – unaudited

	Three Months Ended	
	31-Mar-18	31-Mar-17
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	46,676	6,767
Adjustments for:		
Non-cash and non-operating items	10,343	15,806
Operating profit before working capital changes	57,019	22,573
Changes in working capital		
Net change in current assets	130,585	169,073
Net change in current liabilities	(122,662)	(199,061)
Cash generated from/(used in) operations	64,942	(7,415)
Tax paid	(198)	(312)
Tax refund	21	-
Interest paid	(5,695)	(5,163)
Interest received	76	449
<b>Net cash from/(used in) operating activities</b>	<b>59,146</b>	<b>(12,441)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,278)	(1,964)
Payment to holding company	(300)	(422)
<b>Net cash used in investing activities</b>	<b>(1,578)</b>	<b>(2,386)</b>
<b>Cash flows from financing activities</b>		
Bank and other borrowings	(37,639)	27,519
Changes in Fixed deposit pledged	728	943
Purchase of treasury shares	(27)	-
<b>Net cash (used in)/from financing activities</b>	<b>(36,938)</b>	<b>28,462</b>
Net increase in cash and cash equivalents	20,630	13,635
Effect of exchange rate changes	(18,421)	(23,032)
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>29,147</b>	<b>39,036</b>
<b>Cash and cash equivalents at the end of financial period comprise of :</b>		
Deposits, bank and cash balances	41,835	52,305
Bank overdrafts		
	41,835	52,305
Less : Non-cash and cash equivalents		
Fixed deposit pledged to bank as collateral	(12,688)	(13,269)
	<b>29,147</b>	<b>39,036</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 – FIRST QUARTER ENDED 31 MARCH 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 declared or paid by the Company during the current quarter under review.

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

Three Month Ended 31 March 2018	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	204,163	286,049	14,687	14,790	-	519,689
Internal segment revenue	227,912	348,520	22,251	-	(598,683)	-
<b>Total revenue</b>	<b>432,075</b>	<b>634,569</b>	<b>36,938</b>	<b>14,790</b>	<b>(598,683)</b>	<b>519,689</b>
<b>Segment result</b>	<b>25,654</b>	<b>26,984</b>	<b>4,074</b>	<b>(988)</b>	<b>5,020</b>	<b>60,744</b>
Interest income						76
Finance cost						(7,853)
Depreciation & amortisation						(6,291)
Profit before tax						46,676
Tax expenses						(7,344)
Profit for the period						39,332
<b>Segment assets</b>	<b>841,599</b>	<b>831,858</b>	<b>274,733</b>	<b>236,276</b>	<b>(735,214)</b>	<b>1,449,252</b>
Deferred tax assets						-
Tax recoverable						3,954
<b>Total assets</b>						<b>1,453,206</b>
<b>Segment liabilities</b>	<b>671,571</b>	<b>581,916</b>	<b>200,105</b>	<b>102,420</b>	<b>(1,389,175)</b>	<b>166,837</b>
Deferred tax liabilities						31,433
Tax payables						8,234
Borrowings						738,095
						944,599

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 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>23,409</b>	<b>(7,518)</b>	<b>-</b>	<b>162,774</b>
Interest income						583
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>70,165</b>	<b>-</b>	<b>1,574,451</b>
Deferred tax assets						5,717
<b>Total assets</b>						<b>1,580,168</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>
Current tax liabilities						6,152
Deferred tax liabilities						32,100
Borrowings						787,306
						1,100,575

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

GCB Cocoa Singapore Pte Ltd, the wholly-owned subsidiary of GCB Oversea Holdings Corporation, which in turn a wholly-owned subsidiary of GCB had on 7 February 2018 incorporated a wholly-owned subsidiary, GCB Cocoa Cote D'Ivoire in Ivory Coast ("Incorporation").

GCB Cocoa Cote D'Ivoire was incorporated with a share capital of FCFA 10,000,000.00. The intended principal business activities of GCB Cocoa Cote D'Ivoire are purchase, transportation and processing of cocoa into semi-finished and finished products.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2018**

**A10. Profit before tax**

Included in the profit before tax are the following items:

	<b>Current Quarter Ended 31-Mar-18 RM'000</b>	<b>Current Year To-Date 31-Mar-18 RM'000</b>
Amortisation of prepaid lease payments	130	130
Depreciation	6,162	6,162
Realised loss on foreign exchange	4,738	4,738
Unrealised gain on foreign exchange	(12,726)	(12,726)
Unrealised loss on forward currency contracts	4,021	4,021
Realised gain on commodity future contracts	(1,211)	(1,211)
Unrealised gain on commodity future contracts	(177)	(177)
Unrealised loss on commodity option contracts	3,725	3,725
Unrealised loss on currency option contracts	641	641
Impairment loss on trade receivables	2,968	2,968
Interest expense	5,695	5,695
Interest income	(76)	(76)
Unrealised loss on interest rate swap	5	5

**A11. Tax expense**

	<b>Current Quarter Ended</b>		<b>Current Year To-Date Ended</b>	
	<b>31-Mar-18 RM'000</b>	<b>31-Mar-17 RM'000</b>	<b>31-Mar-18 RM'000</b>	<b>31-Mar-17 RM'000</b>
Income tax expense:				
- Current period estimate	7,251	1,014	7,251	1,014
- Underprovision in prior year	93	-	93	-
	<b>7,344</b>	<b>1,014</b>	<b>7,344</b>	<b>1,014</b>

Income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. The effective tax rate for the current interim period was higher than the statutory tax rate principally due to additional tax provision as a result of better performance.



**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 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-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
Profit for the financial period attributable to owners of the Company (RM'000)	39,332	5,753	39,332	5,753
Weighted average number of ordinary shares in issue ('000)	477,898	477,736	477,898	477,736
Basic earnings per share (sen)	8.23	1.20	8.23	1.20

**A13. Prepaid lease payments**

	31-Mar-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	(195)	(847)
Sub-lease rental	31	123
Foreign exchange difference	(2,289)	(1,108)
Disposal of subsidiaries	-	-
At 31 December	10,048	10,669
<b>Analysed as:</b>		
Sub-leases of warehouse	643	677
Leasehold land	9,405	9,992
	10,048	10,669

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2018**

**A14. Intangible assets**

	<b>Goodwill</b>	<b>Trademark</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>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 March 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 March 2018	-	(2)	(2)
<b>Net carrying amount:</b>			
At 31 December 2017	11,945	12	11,957
At 31 March 2018	11,945	11	11,956

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

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	RM'000	RM'000	RM'000	RM'000
<b>31 March 2018</b>				
<b>Financial assets</b>				
<b>Derivative assets :</b>				
- forward foreign currency contracts	-	-	-	-
- commodity futures contract	4,760	-	-	4,760
- option foreign currency contracts	-	44	-	44
- commodity option contracts	8,990	-	-	8,990
	<b>13,750</b>	<b>44</b>	<b>-</b>	<b>13,794</b>
<b>Financial liabilities</b>				
<b>Derivative liabilities :</b>				
- forward foreign currency contracts	-	-	-	-
- commodity futures contract	4,996	-	-	4,996
- option foreign currency contracts	-	11,179	-	11,179
- commodity option contracts	18,975	-	-	18,975
	<b>23,971</b>	<b>11,179</b>	<b>-</b>	<b>35,150</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
- option foreign currency contracts	-	-	-	-
- 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 – FIRST QUARTER ENDED 31 MARCH 2018**

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

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<b>31 March 2018</b>				
<b>Other financial liabilities :</b>				
- Hire purchases	-	88,266	-	88,266
	-	88,266	-	88,266
<b>31 December 2017</b>				
<b>Other financial liabilities :</b>				
- Hire purchases	-	131,665	-	131,665
	-	131,665	-	131,665

**A16. Loans and borrowings**

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

	Denominated in currency	31-Mar-18 RM'000	31-Dec-17 RM'000
<b>Current</b>			
- Term loans	USD	42,459	31,647
- Trade loans	USD	649,591	683,662
- Revolving credit	RM	32,518	54,402
- Obligation under finance leases	RM	88	131
		724,656	769,842
<b>Non-Current</b>			
- Term loans	USD	13,439	17,463
		<b>738,095</b>	<b>787,305</b>

**A17. Contingent liabilities**

	Group and company	
	31-Mar-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	1,583,368	1,325,786
- amount utilised	(784,228)	(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 – FIRST QUARTER ENDED 31 MARCH 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	2,884
	<u>2,884</u>

**(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	19,992
	<u>19,992</u>

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

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

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 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 RM519.6 million for the current quarter ended 31 March 2018 is lower than the revenue in the previous corresponding quarter ended 31 March 2017 of RM631.3 million. The decrease of 17.7% in turnover is mainly due to decrease in overall selling price of cocoa products. Further, the decrease in revenue was due to weakening of US Dollar against Ringgit Malaysia as compared to previous corresponding quarter.

The Group made a profit before tax for the quarter 31 March 2018 of RM46.7 million as compared with the profit before tax of RM6.8 million in the preceding year corresponding quarter ended 31 March 2017. This is mainly due to improved margin for current quarter ended 31 March 2018 as compared to preceding year corresponding quarter ended 31 March 2017.

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

The Group recorded a higher profit before tax of RM46.7 million for the current quarter as compared to a profit before tax of RM43.2 million in the immediate preceding quarter. This is mainly due to increasing sales volume.

**B3. Commentary of prospects**

The Group expects the business environment for the financial year ending 31 December 2018 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 – FIRST QUARTER ENDED 31 MARCH 2018**

**B6. Derivative financial instruments**

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

	<b>Derivative</b>	<b>Contract Amount RM'000</b>	<b>Fair Value - Net Gains/ (Losses) RM'000</b>	<b>Purpose</b>
1	Forward Foreign Exchange Contracts: Sale Contracts - Less than 1 year  Purchase Contracts - Less than 1 year	411,853  -	(1,419)  -	For hedging currency risk
2	Commodity Futures Sale Contracts - Less than 1 year  Purchase Contracts - Less than 1 year - 1 year to 3 years	164,475  86,251 415	(812)  12,240 66	For hedging price risk

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

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

**B7. Material litigation**

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2018**

**B8. Dividend declared or recommended**

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

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

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

Tay Hoe Lian  
Managing Director  
Dated: 30.05.2018