

**INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the period ended 31 December 2016 – unaudited

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Quarter Ended	Preceding Year Corresponding Quarter Ended	Current Year To-Date Ended	Preceding Year To-Date Ended
		31 December		31 December	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue		543,501	653,774	2,315,790	2,380,669
<b>Profit from operations</b>		12,849	18,379	75,496	52,992
Finance costs		(6,309)	(5,035)	(22,068)	(16,616)
Share of (loss) / profit of associate		(150)	(4)	(98)	(4)
<b>Profit / (Loss) before tax</b>	A10	6,390	13,340	53,330	36,372
Tax expense	A11	(2,635)	(12,973)	(9,550)	(13,996)
<b>Profit for the period</b>		3,755	367	43,780	22,376
<b>Other comprehensive income, net of tax</b>					
Exchange differences on translation					
foreign operations		16,735	(6,478)	10,518	33,080
Remeasurement of employee benefits liability		(249)	171	(249)	171
Hedge of net investment		-	-	-	-
<b>Total other comprehensive income for the period, net of tax</b>		16,486	(6,307)	10,269	33,251
<b>Total comprehensive income for the period</b>		20,241	(5,940)	54,049	55,627
<b>Profit attributable to:</b>					
Owners of the Company		3,755	963	43,594	22,757
Non-controlling interests		-	(596)	186	(381)
<b>Profit for the period</b>		3,755	367	43,780	22,376
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		20,241	(5,344)	53,863	56,008
Non-controlling interests		-	(596)	186	(381)
<b>Total comprehensive income for the period</b>		20,241	(5,940)	54,049	55,627
<b>Basic earnings per ordinary share (sen)</b>	A12(a)	0.79	0.20	9.12	4.78
<b>Diluted earnings per ordinary share (sen)</b>	A12(b)	0.79	0.20	9.12	4.78

The above condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

**INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2016 – unaudited

		31 December 2016	31 December 2015
	Note	RM'000	RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		374,338	437,943
Prepaid lease payments	A13	12,501	14,308
Intangible assets	A14	11,945	11,945
Investment property		25,846	26,563
Investment in associates		7,185	4,996
Deferred tax assets		12	28
		<b>431,827</b>	<b>495,783</b>
<b>Current assets</b>			
Derivative financial assets		11,203	12,840
Inventories		713,324	776,334
Trade and other receivables		226,802	282,233
Prepayments and other assets		34,471	10,759
Tax recoverable		6,279	9,299
Amount owing by associate		3,209	1,997
Amount owing by affiliated co		-	660
Deposits, bank and cash balances		62,646	28,610
		<b>1,057,934</b>	<b>1,122,732</b>
<b>Total assets</b>		<b>1,489,761</b>	<b>1,618,515</b>
<b>Equity</b>			
Share capital		120,040	119,629
Treasury shares		(5,195)	(5,195)
Share premium		1,792	-
Foreign currency translation reserve		60,827	50,309
Retained profits		247,862	211,686
<b>Equity attributable to owners of the Company</b>		<b>425,326</b>	<b>376,429</b>
<b>Non-controlling interests</b>		<b>-</b>	<b>431</b>
<b>Total equity</b>		<b>425,326</b>	<b>376,860</b>
<b>Non-current liabilities</b>			
Amount owing to holding company		10,585	-
Loans and borrowings	A16	54,563	128,428
Provision for employee benefit		1,459	751
Deferred tax liabilities		20,384	18,519
		<b>86,991</b>	<b>147,698</b>
<b>Current liabilities</b>			
Derivative financial liabilities		35,555	13,206
Trade and other payables		280,189	379,504
Loans and borrowings	A16	655,718	701,197
Amount owing to associate		1	-
Tax payable		5,981	50
		<b>977,444</b>	<b>1,093,957</b>
<b>Total liabilities</b>		<b>1,064,435</b>	<b>1,241,655</b>
<b>Total equity and liabilities</b>		<b>1,489,761</b>	<b>1,618,515</b>
<b>Net assets per share (sen)</b>			
attributable to owners of the Company		89.00	79.04

The above condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

**INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the period ended 31 December 2016 – unaudited

	← Attributable To Owners Of The Company					→ Non-controlling		Total Equity
	Non-distributable			Distributable		Interests	RM'000	
	Share Capital RM'000	Treasury Share RM'000	Share Premium RM'000	Foreign Currency Translation Reserve RM'000	Retained Profits RM'000			
<b>Balance at 1 January 2016</b>	119,629	(5,195)	-	50,309	211,686	376,429	431	376,860
Profit for the period	-	-	-	-	43,594	43,594	186	43,780
Other comprehensive income for the period:								
foreign currency translation	-	-	-	10,518	-	10,518	-	10,518
remeasurement of post-employment benefit obligation, net of tax	-	-	-	-	(249)	(249)	-	(249)
<b>Total comprehensive expense for the period</b>	-	-	-	10,518	43,345	53,863	186	54,049
Disposal of subsidiaries	-	-	-	-	-	-	(617)	(617)
Dividend paid	-	-	-	-	(7,169)	(7,169)	-	(7,169)
Conversion of warrants	411	-	1,792	-	-	2,203	-	2,203
Contribution from/distribution to owners of the Company	411	-	1,792	-	(7,169)	(4,966)	(617)	(5,583)
<b>Balance at 31 December 2016</b>	<b>120,040</b>	<b>(5,195)</b>	<b>1,792</b>	<b>60,827</b>	<b>247,862</b>	<b>425,326</b>	<b>-</b>	<b>425,326</b>
<b>Balance at 1 January 2015</b>	119,629	(5,195)	-	17,230	188,749	320,413	3,958	324,371
(Loss) / Profit for the year	-	-	-	-	22,757	22,757	(381)	22,376
Other comprehensive income for the year:								
foreign currency translation	-	-	-	33,079	-	33,079	-	33,079
remeasurement of post-employment benefit obligation, net of tax	-	-	-	-	171	171	-	171
<b>Total comprehensive income for the year</b>	-	-	-	33,079	22,928	56,007	(381)	55,626
Disposal of a subsidiary	-	-	-	-	-	-	(3,006)	(3,006)
Change in ownership interest in subsidiaries that do not result in a loss of control	-	-	-	-	9	9	(140)	(131)
Contribution from/distribution to owners of the Company	-	-	-	-	9	9	(3,146)	(3,137)
<b>Balance at 31 December 2015</b>	<b>119,629</b>	<b>(5,195)</b>	<b>-</b>	<b>50,309</b>	<b>211,686</b>	<b>376,429</b>	<b>431</b>	<b>376,860</b>

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 2015 and the accompanying explanatory notes attached to the interim financial statements.

**INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the period ended 31 December 2016 – unaudited

	Twelve Months Ended	
	31-Dec-16	31-Dec-15
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	53,330	36,373
Adjustments for:		
Non-cash and non-operating items	69,071	54,565
Operating profit before working capital changes	122,401	90,938
Changes in working capital		
Net change in current assets	90,096	(124,343)
Net change in current liabilities	(102,432)	155,577
Cash generated from operations	110,065	122,172
Tax refund / (paid)	423	(12,697)
Interest paid	(18,491)	(16,616)
Interest received	1,248	510
<b>Net cash from operating activities</b>	<b>93,245</b>	<b>93,369</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(3,738)	(6,478)
Proceeds from disposal of subsidiaries	11,999	-
Acquisition of NCI		(131)
Acquisition of Associate		(14)
Proceeds from disposal of PPE	137	103
Purchase of investment property		(19,655)
Payment for the lease rental	(124)	(124)
Others	-	-
<b>Net cash from / (used in) investing activities</b>	<b>8,274</b>	<b>(26,299)</b>
<b>Cash flows from financing activities</b>		
Bank and other borrowings	(127,302)	(48,320)
Payment to holding company	10,585	(12,320)
Changes in Fixed deposit pledged	1,635	60
Proceed from exercised of warrants	2,203	-
Dividend paid	(7,169)	(1,715)
<b>Net cash used in financing activities</b>	<b>(120,048)</b>	<b>(62,295)</b>
Net (decrease) / increase in cash and cash equivalents	(18,529)	4,774
Effect of exchange rate changes	53,497	(17,280)
Cash and cash equivalents at the beginning of financial period	26,731	39,236
<b>Cash and cash equivalents at the end of financial period</b>	<b>61,699</b>	<b>26,730</b>
<b>Cash and cash equivalents at the end of financial period comprise of :</b>		
Deposits, bank and cash balances	62,646	28,610
Bank overdrafts	-	(854)
	62,646	27,756
Less : Non-cash and cash equivalents		
Fixed deposit pledged to bank as collateral	(947)	(1,026)
	<b>61,699</b>	<b>26,730</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 2015 and the accompanying explanatory notes attached to the interim financial statements.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2016**

**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 2015. 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 2015.

**A2. Significant accounting policies**

The audited financial statements of the Group for the year ended 31 December 2015 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 2015, except for those standards, amendments and IC interpretation which are effective from the annual period beginning on or after 1 January 2016. 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**

First interim single-tier dividend of 1.5 sen per ordinary share amounting to RM7,168,768.61 in respect of the financial year ended 31 December 2016 was declared on 18 November 2016 and subsequently paid on 4 January 2017. The payment was made to shareholders whose names appeared in the Company’s Record of Depositors on 5 December 2016.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2016**

**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 2016	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	922,979	1,251,626	93,720	47,465	-	2,315,790
Internal segment revenue	572,884	1,889,647	795,541	-	(3,258,072)	-
<b>Total revenue</b>	<b>1,495,863</b>	<b>3,141,273</b>	<b>889,261</b>	<b>47,465</b>	<b>(3,258,072)</b>	<b>2,315,790</b>
<b>Segment result</b>	<b>21,817</b>	<b>45,085</b>	<b>20,698</b>	<b>4,098</b>	<b>9,249</b>	<b>100,947</b>
Interest income						1,248
Finance cost						(22,068)
Depreciation & amortisation						(26,797)
Profit before tax						53,330
Tax expenses						(9,550)
Profit for the period						43,780
<b>Segment assets</b>	<b>746,747</b>	<b>374,689</b>	<b>320,328</b>	<b>41,706</b>	<b>-</b>	<b>1,483,470</b>
Deferred tax assets						12
Tax recoverable						6,279
<b>Total assets</b>						<b>1,489,761</b>
<b>Segment liabilities</b>	<b>48,290</b>	<b>258,701</b>	<b>10,538</b>	<b>10,260</b>	<b>-</b>	<b>327,789</b>
Deferred tax liabilities						20,384
Tax payables						5,981
Borrowings						710,281
						1,064,435

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2016**

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

Twelve Months Ended 31 December 2015	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	907,187	1,394,135	45,088	34,258	-	2,380,668
Internal segment revenue	622,800	2,161,629	1,185,479	-	(3,969,908)	-
<b>Total revenue</b>	<b>1,529,987</b>	<b>3,555,764</b>	<b>1,230,567</b>	<b>34,258</b>	<b>(3,969,908)</b>	<b>2,380,668</b>
<b>Segment result</b>	<b>14,037</b>	<b>23,326</b>	<b>18,109</b>	<b>24,554</b>	<b>(384)</b>	<b>79,642</b>
Interest income						510
Finance cost						(16,615)
Depreciation & amortisation						(27,164)
Profit before tax						36,373
Tax expenses						(13,996)
Profit for the period						<b>22,377</b>
<b>Segment assets</b>	<b>749,213</b>	<b>297,988</b>	<b>527,301</b>	<b>34,686</b>	<b>-</b>	<b>1,609,188</b>
Deferred tax assets						28
Tax recoverable						9,299
<b>Total assets</b>						<b>1,618,515</b>
<b>Segment liabilities</b>	<b>89,188</b>	<b>296,332</b>	<b>6,604</b>	<b>1,337</b>	<b>-</b>	<b>393,461</b>
Deferred tax liabilities						18,519
Tax payables						50
Borrowings						829,625
						<b>1,241,655</b>

**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 2016**

**A10. Profit before tax**

Included in the profit before tax are the following items:

	<b>Current Quarter Ended 31-Dec-16 RM'000</b>	<b>Current Year To-Date 31-Dec-16 RM'000</b>
Amortisation of prepaid lease payments	148	668
Depreciation	6,190	26,061
Realised loss / (gain) on foreign exchange	29,280	(3,235)
Unrealised loss on foreign exchange	2,017	11,906
Realised gain on commodity future contracts	(257)	(24,735)
Realised loss / (gain) on forward currency contracts	291	(825)
Unrealised loss on commodity future contracts	20,114	19,657
Unrealised loss / (gain) on commodity option contracts	385	(840)
Unrealised gain on forward currency contracts	(141)	(1,459)
Impairment loss on trade receivables	3,157	3,157
Write down of inventories	399	1,756
Interest expense	5,264	18,491
Interest income	(36)	(1,248)
Gain on disposal of subsidiaries	-	(7,014)

**A11. Tax expense**

	<b>Current Quarter Ended</b>		<b>Current Year To-Date Ended</b>	
	<b>31-Dec-16 RM'000</b>	<b>31-Dec-15 RM'000</b>	<b>31-Dec-16 RM'000</b>	<b>31-Dec-15 RM'000</b>
Income tax expense:				
- Current period estimate	5,184	(660)	8,379	991
- Under/ (over)provision in prior year	860	8,359	-	10,345
Withholding tax	-	42		42
Deferred tax				
- Originated of temporary differences	(5,575)	4,737	(2,900)	2,378
- (Over) provision in prior year	2,166	864	4,071	609
- Effect of change in tax rate from 25% to 24%	-	(369)		(369)
	<b>2,635</b>	<b>12,973</b>	<b>9,550</b>	<b>13,996</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 lower than the statutory tax rate principally due to lower profit achieved.

The Group's effective tax rate for the corresponding interim period ended 31 December 2015 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 – FOURTH QUARTER ENDED 31 DECEMBER 2016**

**A12. Earnings per share**

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

	Current Quarter Ended		Current Year To-Date Ended	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Profit for the financial period attributable to owners of the Company (RM'000)	3,755	963	43,594	22,757
Weighted average number of ordinary shares in issue ('000)	477,918	476,274	477,918	476,274
Basic earnings per share (sen)	0.79	0.20	9.12	4.78

- (b) For the purpose of calculating diluted EPS, profit for the period and the weighted average number of ordinary shares in issue during the financial period have been adjusted for the dilutive effects of all potential ordinary shares convert under warrants issued as shown below:

	Current Quarter Ended		Current Year To-Date Ended	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Profit for the financial period attributable to owners of the Company (RM'000)	3,755	963	43,594	22,757
Weighted average number of ordinary shares in issue ('000)	477,918	476,274	477,918	476,274
Adjusted weighted average number of ordinary shares in issue and issuales	477,918	476,274	477,918	476,274
Diluted earnings per share (sen)	* 0.79	0.20	* 9.12	4.78

\* There is no dilutive effect of the potential ordinary shares convert under warrants issued since the exercise price is above the average market value at the company's shares.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2016**

**A13. Prepaid lease payments**

	31-Dec-16 RM'000	31-Dec-15 RM'000
<b>Cost:</b>		
At 1 January	14,308	12,909
Add: Payment for sub-leases	124	124
Additions	-	-
	<b>14,432</b>	<b>13,033</b>
Less: Amortisation of prepaid lease payments	(567)	(707)
Sub-lease rental	(259)	(259)
Foreign exchange difference	(1,105)	2,241
At 31 December	<b>12,501</b>	<b>14,308</b>
<b>Analysed as:</b>		
Sub-leases of warehouse	813	948
Leasehold land	11,688	13,360
	<b>12,501</b>	<b>14,308</b>

**A14. Intangible assets**

	Goodwill RM'000	Technical know-how RM'000	Clientele list RM'000	Total RM'000
<b>Cost:</b>				
At 1 January 2016 / 31 December 2015	12,650	1,016	972	14,638
Acquisition of subsidiary	-	-	-	-
Adjustment	-	-	-	-
At 31 December 2016	<b>12,650</b>	<b>1,016</b>	<b>972</b>	<b>14,638</b>
<b>Accumulated amortisation and impairment</b>				
At 1 January 2015	(705)	(1,016)	(972)	(2,693)
Amortisation	-	-	-	-
Impairment	-	-	-	-
At 31 December 2015 and 1 January 2016	<b>(705)</b>	<b>(1,016)</b>	<b>(972)</b>	<b>(2,693)</b>
Amortisation	-	-	-	-
Impairment	-	-	-	-
At 31 December 2016	<b>(705)</b>	<b>(1,016)</b>	<b>(972)</b>	<b>(2,693)</b>
<b>Net carrying amount:</b>				
At 31 December 2015	11,945	-	-	11,945
At 31 December 2016	<b>11,945</b>	<b>-</b>	<b>-</b>	<b>11,945</b>

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2016**

**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 December 2016</b>				
<b>Financial assets</b>				
<b>Derivative assets :</b>				
- forward foreign currency contracts	-	984	-	984
- commodity futures contract	10,219	-	-	10,219
	<b>10,219</b>	<b>984</b>	<b>-</b>	<b>11,203</b>
<b>Financial liabilities</b>				
<b>Derivative liabilities :</b>				
- forward foreign currency contracts	-	2	-	2
- commodity futures contract	35,553	-	-	35,553
	<b>35,553</b>	<b>2</b>	<b>-</b>	<b>35,555</b>
<b>31 December 2015</b>				
<b>Financial assets</b>				
<b>Derivative assets :</b>				
- forward foreign currency contracts	-	159	-	159
- commodity futures contract	12,681	-	-	12,681
	<b>12,681</b>	<b>159</b>	<b>-</b>	<b>12,840</b>
<b>Financial liabilities</b>				
<b>Derivative liabilities :</b>				
- forward foreign currency contracts	-	40	-	40
- commodity futures contract	13,166	-	-	13,166
	<b>13,166</b>	<b>40</b>	<b>-</b>	<b>13,206</b>

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2016**

**A16. Loans and borrowings**

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

		<b>Denominated in currency</b>	<b>31-Dec-16 RM'000</b>	<b>31-Dec-15 RM'000</b>
<b>Current</b>				
Secured	- Bank overdrafts	RM	-	854
	- Bankers' acceptances	RM	-	6,700
	- Term loans	RM	-	2,150
		USD	70,225	50,707
	- Trade loans	USD	539,340	565,190
	- Revolving credit	RM	45,963	75,170
	- Obligation under finance leases	RM	190	426
Unsecured	- Bank overdrafts	RM	-	-
			<b>655,718</b>	<b>701,197</b>
<b>Non-Current</b>				
Secured	- Term loans	RM	-	16,748
		USD	54,431	111,286
	- Obligation under finance leases	RM	132	394
			<b>54,563</b>	<b>128,428</b>
			<b>710,281</b>	<b>829,625</b>

**A17. Contingent liabilities**

There were no material contingent liabilities as at 31 December 2016.

**A18. Commitments**

**(a) Lease commitments**

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

Authorised and contracted for	<b>RM'000</b> 742
	<b>742</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>Authorised and contracted for :</b>	<b>RM'000</b>
Property, plant and equipment	1,827
	<b>1,827</b>

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2016**

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

There was no material events subsequent to the current quarter ended 31 December 2016 that have not been reflected in this quarterly report.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2016**

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

**B1. Review of performance**

The Group's revenue of RM 543.5 million for the current quarter ended 31 December 2016 is lower than the revenue in the previous corresponding quarter ended 31 December 2015 of RM 653.8 million. The decrease of 16.9% in turnover is mainly due to decrease in sales volume of cocoa butter and cake.

The Group made a profit before tax for the quarter ended 31 December 2016 of RM 6.4 million as compared with the profit before tax of RM 13.3 million in the preceding year corresponding quarter ended 31 December 2015. This is mainly due to higher net loss on foreign exchange, which arising from weakening of Ringgit Malaysia against US Dollar, for preceding year corresponding quarter ended 31 December 2015 as compared to current quarter ended 31 December 2016.

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

The Group recorded a profit before tax of RM 6.4 million for the current quarter as compared to a profit before tax of RM 17.3 million in the preceding quarter. This is mainly due to lower sales volume of cocoa butter and cake. The higher net loss on foreign exchange also contributed to the decrease in profit before tax for current quarter.

**B3. Commentary of prospects**

The Group expects the business environment for the financial year ending 31 December 2017 to be challenging. While the cocoa bean prices continue to be volatile, the demand for cocoa solids remains uncertain.

The Group will continue to focus on turnaround efforts which include reducing inventory level, exploring new markets for its wide range of cocoa ingredients, growing industrial chocolate business and optimising production according to market conditions.

**B4. Profit forecast or profit guarantee**

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

**B5. Corporate proposals**

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

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS – FOURTH QUARTER ENDED 31 DECEMBER 2016**

**B6. Derivative financial instruments**

Details of the outstanding derivative financial instruments as at 31 December 2016 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	106,033	1,137	For hedging currency risk
	Purchase Contracts - Less than 1 year	1,303	(25)	
2	Commodity Futures Sale Contracts - Less than 1 year	102,931	9,451	For hedging price risk
	Purchase Contracts - Less than 1 year	209,958	(34,057)	

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 – FOURTH QUARTER ENDED 31 DECEMBER 2016**

**B8. Dividend declared or recommended**

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

**B9. Realised and Unrealised Profits/Losses Disclosure**

The retained profits as at 31 December 2016 and 31 December 2015 is analysed as follows:-

	<b>Current Quarter Ended 31-Dec-16 RM'000</b>	<b>Preceding Year To-Date Ended 31-Dec-15 RM'000</b>
Total retained profits of the Company and the subsidiaries:		
- Realised	295,501	238,114
- Unrealised	(32,312)	(14,655)
	<b>263,189</b>	<b>223,459</b>
Less: Consolidated adjustments	(15,327)	(11,773)
Total group retained profits as per consolidated financial statements	<b>247,862</b>	<b>211,686</b>

**B10. Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements for the year ended 31 December 2015 was not qualified.

Tay Hoe Lian  
 Managing Director  
 Dated: 22.02.2017