

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2019

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
 AND OTHER COMPREHENSIVE INCOME**
 For the period ended 31 March 2019 – unaudited

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Quarter Ended 31 Mar 2019 RM'000	Preceding Year Corresponding Quarter Ended 2018 RM'000	Current Year To-Date Ended 31 Mar 2019 RM'000	Preceding Year To-Date Ended 2018 RM'000
Revenue		648,074	519,689	648,074	519,689
Profit from operations		71,781	54,471	71,781	54,471
Finance costs		(8,583)	(7,853)	(8,583)	(7,853)
Share of profit of associates		645	58	645	58
Profit before tax	A10	63,843	46,676	63,843	46,676
Tax expense	A11	(10,703)	(7,344)	(10,703)	(7,344)
Profit for the period		53,140	39,332	53,140	39,332
Other comprehensive income, net of tax					
Exchange differences on translation foreign operations		(4,491)	(10,725)	(4,491)	(10,725)
Share of other comprehensive (expense) / income of associates		(18)	434	(18)	434
Total other comprehensive loss for the period, net of tax		(4,509)	(10,291)	(4,509)	(10,291)
Total comprehensive income for the period		48,631	29,041	48,631	29,041
Profit attributable to:					
Owners of the Company		53,140	39,332	53,140	39,332
Non-controlling interests		-	-	-	-
Profit for the period		53,140	39,332	53,140	39,332
Total comprehensive income attributable to:					
Owners of the Company		48,631	29,041	48,631	29,041
Non-controlling interests		-	-	-	-
Total comprehensive income for the period		48,631	29,041	48,631	29,041
Basic earnings per ordinary share (sen)	A12	11.12	8.23	11.12	8.23

The above condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2019

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019 – unaudited

	Note	31 March 2019 RM'000	31 December 2018 RM'000
Assets			
Non-current assets			
Property, plant and equipment		449,800	447,850
Prepaid lease payments	A13	9,894	10,187
Intangible assets	A14	11,956	11,956
Investment property		22,973	23,296
Investment in associates		7,406	6,778
Lease assets		443	-
		502,472	500,067
Current assets			
Inventories		898,785	868,949
Trade and other receivables		287,949	328,456
Prepayments and other assets		-	-
Derivative financial assets		3,846	41,269
Tax recoverable		612	610
Lease assets		1,409	-
Deposits, bank and cash balances		82,505	44,799
		1,275,106	1,284,083
Total assets		1,777,578	1,784,150
Equity			
Share capital		121,832	121,832
Treasury shares		(5,347)	(5,347)
Foreign currency translation reserve		39,642	44,151
Retained profits		550,089	506,505
Total equity		706,216	667,141
Non-current liabilities			
Loans and borrowings	A16	52,751	43,372
Provision for employee benefit		1,761	1,783
Deferred tax liabilities		35,544	35,784
Lease liabilities		443	-
		90,499	80,939
Current liabilities			
Trade and other payables		215,516	431,391
Derivative financial liabilities		986	33,029
Loans and borrowings	A16	740,245	558,995
Tax payable		22,583	12,655
Lease liabilities		1,533	-
		980,863	1,036,070
Total liabilities		1,071,362	1,117,009
Total equity and liabilities		1,777,578	1,784,150
Net assets per share (sen)			
attributable to owners of the Company		147.80	139.60

The above condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2019

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2019 – unaudited

	← Non-distributable →			Distributable	Total Equity RM'000
	Share Capital RM'000	Treasury Share RM'000	Foreign Currency Translation Reserve RM'000	Retained Profits RM'000	
Balance as at 1 January 2019	121,832	(5,347)	44,151	506,505	667,141
Profit for the period	-	-	-	53,140	53,140
Other comprehensive income for the period:					
foreign currency translation differences	-	-	(4,491)	-	(4,491)
share of other comprehensive expense of associates	-	-	(18)	-	(18)
remeasurement of post-employment benefit obligation, net of tax	-	-	-	-	-
Total comprehensive (loss)/income for the period	-	-	(4,509)	53,140	48,631
Transactions with owners					
Purchase of treasury shares	-	-	-	-	-
Dividends	-	-	-	(9,556)	(9,556)
Contribution from/distribution to owners of the Company	-	-	-	(9,556)	(9,556)
Balance at 31 March 2019	121,832	(5,347)	39,642	550,089	706,216
Balance as at 1 January 2018	121,832	(5,195)	37,073	325,883	479,593
Profit for the year	-	-	-	190,115	190,115
Other comprehensive (loss)/income for the year:					
foreign currency translation differences	-	-	9,038	-	9,038
remeasurement of post-employment benefit obligation, net of tax	-	-	-	63	63
share of other comprehensive loss of associates	-	-	(1,960)	-	(1,960)
Total comprehensive (loss)/income for the year	-	-	7,078	190,178	197,256
Transactions with owners					
Purchase of treasury shares	-	(152)	-	-	(152)
Dividend paid	-	-	-	(9,556)	(9,556)
Total transactions with owners	-	(152)	-	(9,556)	(9,708)
Balance at 31 December 2018	121,832	(5,347)	44,151	506,505	667,141

*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 2018 and the accompanying explanatory notes attached to the interim financial statements.

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2019

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 March 2019 – unaudited

	Three Months Ended	
	31-Mar-19	31-Mar-18
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	63,843	46,676
Adjustments for:		
Non-cash and non-operating items	8,899	10,343
Operating profit before working capital changes	72,742	57,019
Changes in working capital		
Net change in current assets	3,112	130,585
Net change in current liabilities	(215,450)	(122,662)
Cash generated from/(used in) operations	(139,596)	64,942
Tax paid	(350)	(198)
Tax refund	434	21
Interest paid	(8,583)	(5,695)
Interest received	100	76
Net cash from operating activities	(147,995)	59,146
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,307)	(1,278)
Payment to holding company	-	(300)
Proceeds from disposal of PPE	1,730	-
Payment for the lease rental	(34)	-
Net cash used in investing activities	(8,611)	(1,578)
Cash flows from financing activities		
Bank and other borrowings	192,958	(37,639)
Changes in Fixed deposit pledged	208	728
Purchase of treasury shares	-	(27)
Dividend paid	(9,556)	-
Net cash used in financing activities	183,610	(36,938)
Net increase / (decrease) in cash and cash equivalents	27,004	20,630
Effect of exchange rate changes	9,613	(18,421)
Cash and cash equivalents at the beginning of financial period	31,358	26,938
Cash and cash equivalents at the end of financial period	67,975	29,147
Cash and cash equivalents at the end of financial period comprise of :		
Deposits, bank and cash balances	82,505	41,835
Bank overdrafts	-	-
	82,505	41,835
Less : Non-cash and cash equivalents		
Fixed deposit pledged to bank as collateral	(14,530)	(12,688)
	67,975	29,147

The above condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2019

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 2018. 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 2018.

A2. Significant accounting policies

The audited financial statements of the Group for the year ended 31 December 2018 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 2018, except for those standards, amendments and IC interpretations which are effective from the annual period beginning on or after 1 January 2019. 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

Special dividend of 2.0 sen per ordinary share amounting to RM9,556,095.04 in respect of the financial year ending 31 December 2018 was declared on 18 February 2019 and subsequently paid on 29 March 2019. The payment was made to shareholders whose names appeared in the Company’s Record of Depositors on 6 March 2019.

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2019

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 Months Ended 31 March 2019	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Geographical Segments:						
Total external revenue	272,793	335,581	25,154	14,546	-	648,074
Internal segment revenue	511,936	693,798	262,776	33,727	(1,502,237)	-
Total revenue	784,729	1,029,379	287,930	48,273	(1,502,237)	648,074
Segment result	32,641	38,348	10,539	31,599	(33,434)	79,693
Interest income						100
Finance cost						(8,583)
Depreciation & amortisation						(7,367)
Profit before tax						63,843
Tax expenses						(10,703)
Profit for the period						53,140
Segment assets	978,454	126,214	569,064	103,234	-	1,776,966
Tax recoverable						612
Total assets						1,777,578
Segment liabilities	46,539	134,434	37,751	1,515	-	220,239
Deferred tax liabilities						35,544
Tax payables						22,583
Borrowings						792,996
						1,071,362

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NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2019

A8. Segmental information – (cont'd)

Three Months Ended 31 March 2018	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Geographical Segments:						
Total external revenue	204,163	286,049	14,687	14,790	-	519,689
Internal segment revenue	227,912	348,520	22,251	-	(598,683)	-
Total revenue	432,075	634,569	36,938	14,790	(598,683)	519,689
Segment result	25,654	26,984	4,074	(988)	5,020	60,744
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
Segment assets	769,422	343,738	260,349	75,743	-	1,449,252
Deferred tax assets						-
Tax recoverable						3,954
Total assets						1,453,206
Segment liabilities	43,172	111,482	8,082	4,101	-	166,837
Deferred tax liabilities						31,433
Tax payables						8,234
Borrowings						738,095
						944,599

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 – FIRST QUARTER ENDED 31 MARCH 2019

A10. Profit before tax

Included in the profit before tax are the following items:

	Current Quarter Ended 31-Mar-19 RM'000	Current Year To-Date 31-Mar-19 RM'000
Amortisation of prepaid lease payments	140	140
Amortisation of leases	124	124
Depreciation	7,103	7,103
Realised gain on foreign exchange	(880)	(880)
Unrealised gain on foreign exchange	(4,096)	(4,096)
Unrealised loss on forward currency contracts	4,459	4,459
Realised gain on commodity future contracts	(16,132)	(16,132)
Unrealised loss on commodity future contracts	2,461	2,461
Unrealised gain on commodity option contracts	(1,776)	(1,776)
Unrealised loss on currency option contracts	187	187
Unrealised loss on interest rate swap	4	4
Impairment loss on trade receivables	323	323
Interest expense	8,583	8,583
Interest income	(100)	(100)

A11. Tax expense

	Current Quarter Ended		Current Year To-Date Ended	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
	RM'000	RM'000	RM'000	RM'000
Income tax expense:				
- Current period estimate	10,703	7,251	10,703	7,251
- Underprovision in prior year	-	93	-	93
	10,703	7,344	10,703	7,344

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 – FIRST QUARTER ENDED 31 MARCH 2019

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-19	31-Mar-18	31-Mar-19	31-Mar-18
Profit for the financial period attributable to owners of the Company (RM'000)	53,140	39,332	53,140	39,332
Weighted average number of ordinary shares in issue ('000)	477,805	477,898	477,805	477,898
Basic earnings per share (sen)	11.12	8.23	11.12	8.23

A13. Prepaid lease payments

	31-Mar-19	31-Dec-18
	RM'000	RM'000
Cost:		
At 1 January	10,186	10,669
Add: Payment for sub-leases	-	-
Additions	-	-
	10,186	10,669
Less: Amortisation of prepaid lease payments	(140)	(806)
Sub-lease rental	34	124
Foreign exchange difference	(186)	200
Disposal of subsidiaries	-	-
At 31 March / December	9,894	10,187
Analysed as:		
Sub-leases of warehouse	508	542
Leasehold land	9,386	9,645
	9,894	10,187

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2019

A14. Intangible assets

	Goodwill RM'000	Trademark RM'000	Total RM'000
Cost:			
At 1 January 2018	11,945	13	11,958
Additions	-	-	-
Translation differences	-	-	-
At 31 December 2018 and 1 January 2019	11,945	13	11,958
Additions	-	-	-
Acquisition of subsidiary	-	-	-
Adjustment	-	-	-
At 31 March 2019	11,945	13	11,958
Accumulated amortisation and impairment			
At 1 January 2018	-	(1)	(1)
Amortisation	-	(1)	(1)
Impairment	-	-	-
At 31 December 2018 and 1 January 2019	-	(2)	(2)
Amortisation	-	-	-
Impairment	-	-	-
At 31 March 2019	-	(2)	(2)
Net carrying amount:			
At 31 December 2018	11,945	11	11,956
At 31 March 2019	11,945	11	11,956

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2019

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 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 March 2019				
Financial assets				
Derivative assets :				
- forward foreign currency contracts	-	749	-	749
- commodity futures contract	1,593	-	-	1,593
- commodity option contracts	1,503	-	-	1,503
- interest rate swap	1	-	-	1
	3,097	749	-	3,846
Financial liabilities				
Derivative liabilities :				
- forward foreign currency contracts	-	388	-	388
- commodity futures contract	511	-	-	511
- commodity option contracts	87	-	-	87
- interest rate swap	-	-	-	-
	598	388	-	986
31 December 2018				
Financial assets				
Derivative assets :				
- forward foreign currency contracts	-	5,282	-	5,282
- commodity futures contract	30,493	-	-	30,493
- commodity option contracts	4,754	-	-	4,754
- interest rate swap	740	-	-	740
	35,987	5,282	-	41,269
Financial liabilities				
Derivative liabilities :				
- forward foreign currency contracts	-	1,004	-	1,004
- commodity futures contract	26,767	-	-	26,767
- commodity option contracts	5,257	-	-	5,257
- interest rate swap	1	-	-	1
	32,025	1,004	-	33,029

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2019

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	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
31 March 2019				
Other financial liabilities :				
- Hire purchases	-	840	-	840
	-	840	-	840
31 December 2018				
Other financial liabilities :				
- Hire purchases	-	881	-	881
	-	881	-	881

A16. Loans and borrowings

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

		Denominated in currency	31-Mar-19 RM'000	31-Dec-18 RM'000
Current				
	- Term loans	USD	14,537	15,309
		RM	343	-
	- Trade loans	USD	621,990	406,988
		GBP	39,928	5,086
	- Revolving credit	USD	61,275	129,442
		RM	2,000	2,000
	- Obligation under finance leases	RM	172	170
			740,245	558,995
Non-Current				
	- Term loans	USD	49,546	42,661
		RM	2,537	-
	- Obligation under finance leases	RM	668	711
			52,751	43,372
			792,996	602,367

NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2019

A17. Contingent liabilities

	Group and company	
	31-Mar-19	31-Dec-18
	RM'000	RM'000
Corporate guarantees - unsecured		
Issued to banks for banking facilities granted to subsidiaries		
- limit of guarantee	1,736,482	1,712,047
- amount utilised	(799,295)	(610,244)

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.

A18. Commitments

(a) Lease commitments

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

	RM'000
Authorised and contracted for	<u>4,982</u>

(b) Capital commitments

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

	RM'000
Authorised and contracted for :	
Property, plant and equipment	<u>35,751</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 2019 that have not been reflected in this quarterly report.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2019

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

B1. Review of performance

The Group's revenue of RM648.1 million for the current quarter ended 31 March 2019 is higher than the revenue in the previous corresponding quarter ended 31 March 2018 of RM519.7 million. The increase of 24.7% in turnover is mainly due to increase in sales volume of cocoa products.

The Group made a profit before tax for the quarter 31 March 2019 of RM63.8 million as compared with the profit before tax of RM46.7 million in the preceding year corresponding quarter ended 31 March 2018. This is mainly due to improved margin for current quarter ended 31 March 2019 as compared to preceding year corresponding quarter ended 31 March 2018.

B2. Comment on material change in profit before tax

The Group recorded a higher profit before tax of RM63.8 million for the current quarter as compared to a profit before tax of RM55.3 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.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS – FIRST QUARTER ENDED 31 MARCH 2019

B6. Derivative financial instruments

Details of the outstanding derivative financial instruments as at 31 March 2019 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	254,456	748	For hedging currency risk
	Purchase Contracts - Less than 1 year	0	0	
2	Commodity Futures Sale Contracts - Less than 1 year	32,244	113	For hedging price risk
	Purchase Contracts - Less than 1 year	79,627	2,175	

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 28 May 2019, the board declared the first interim single-tier dividend of 1.5 sen per ordinary share in respect of financial year ending 31 December 2019 to shareholders registered in the Record of Depositors at close of business on 14 June 2019 and subsequently will be paid on 5 July 2019.

B9. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2018 was not qualified.

Tay Hoe Lian
 Managing Director
 Dated: 28.05.2019