

**INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

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

For the period ended 30 September 2019 – unaudited

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Quarter Ended <b>30 Sept</b> <b>2019</b> RM'000	Preceding Year Corresponding Quarter Ended <b>30 Sept</b> <b>2018</b> RM'000	Current Year To-Date Ended <b>30 Sept</b> <b>2019</b> RM'000	Preceding Year To-Date Ended <b>30 Sept</b> <b>2018</b> RM'000
Revenue		744,608	598,781	2,145,743	1,610,054
<b>Profit from operations</b>		78,946	60,134	231,125	172,068
Finance costs		(8,950)	(6,920)	(26,398)	(19,017)
Share of profit of associates		319	688	1,475	1,161
<b>Profit before tax</b>	A 10	70,315	53,902	206,202	154,212
Tax expense	A 11	(9,783)	(10,031)	(31,533)	(27,979)
<b>Profit for the period</b>		60,532	43,871	174,669	126,233
<b>Other comprehensive income, net of tax</b>					
Exchange differences on translation foreign operations		5,953	7,262	5,920	9,049
Share of other comprehensive (expense) / income of associates		20	(1,180)	21	(51)
<b>Total other comprehensive income for the period, net of tax</b>		5,973	6,082	5,941	8,998
<b>Total comprehensive income for the period</b>		66,505	49,953	180,610	135,231
<b>Profit attributable to:</b>					
Owners of the Company		60,532	43,871	174,669	126,233
Non-controlling interests		-	-	-	-
<b>Profit for the period</b>		60,532	43,871	174,669	126,233
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		66,505	49,953	180,610	135,231
Non-controlling interests		-	-	-	-
<b>Total comprehensive income for the period</b>		66,505	49,953	180,610	135,231
<b>Basic earnings per ordinary share (sen)</b>	A 12	12.67	9.18	36.56	26.42

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 THIRD QUARTER ENDED 30 SEPTEMBER 2019**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 September 2019 – unaudited

		30 September 2019 RM'000	31 December 2018 RM'000
	Note		
<b>Assets</b>		<b>30 Sept</b>	<b>30 Sept</b>
<b>Non-current assets</b>			
Property, plant and equipment		478,660	447,850
Prepaid lease payments	A13	9,781	10,187
Intangible assets	A14	11,956	11,956
Investment property		22,616	23,296
Investment in associates		8,275	6,778
Lease assets		73	-
		<b>531,361</b>	<b>500,067</b>
<b>Current assets</b>			
Inventories		913,688	868,949
Trade and other receivables		532,364	328,456
Derivative financial assets		10,790	41,269
Tax recoverable		2,636	610
Lease assets		1,218	-
Deposits, bank and cash balances		46,260	44,799
		<b>1,506,956</b>	<b>1,284,083</b>
<b>Total assets</b>		<b>2,038,317</b>	<b>1,784,150</b>
<b>Equity</b>			
Share capital		121,832	121,832
Treasury shares		(5,347)	(5,347)
Foreign currency translation reserve		50,092	44,151
Retained profits		657,284	506,505
<b>Total equity</b>		<b>823,861</b>	<b>667,141</b>
<b>Non-current liabilities</b>			
Loans and borrowings	A16	48,687	43,372
Provision for employee benefit		1,806	1,783
Deferred tax liabilities		36,040	35,784
Lease liabilities		73	-
		<b>86,606</b>	<b>80,939</b>
<b>Current liabilities</b>			
Trade and other payables		208,488	431,391
Derivative financial liabilities		3,651	33,029
Loans and borrowings	A16	886,234	558,995
Tax payable		27,973	12,655
Lease liabilities		1,504	-
		<b>1,127,850</b>	<b>1,036,070</b>
<b>Total liabilities</b>		<b>1,214,456</b>	<b>1,117,009</b>
<b>Total equity and liabilities</b>		<b>2,038,317</b>	<b>1,784,150</b>
<b>Net assets per share (sen)</b>			
attributable to owners of the Company		172.43	139.61

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 THIRD QUARTER ENDED 30 SEPTEMBER 2019**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the period ended 30 September 2019 – unaudited

	← Non-distributable →			Distributable	
	Share Capital RM'000	Treasury Share RM'000	Foreign Currency Translation Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
<b>Balance as at 1 January 2019</b>	121,832	(5,347)	44,151	506,505	667,141
Profit for the period	-	-	-	174,669	174,669
Other comprehensive income for the period:					
foreign currency translation differences	-	-	5,920	-	5,920
share of other comprehensive expense of associates	-	-	21	-	21
remeasurement of post-employment benefit obligation, net of tax	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	5,941	174,669	180,610
<b>Transactions with owners</b>					
Purchase of treasury shares	-	-	-	-	-
Dividends	-	-	-	(23,890)	(23,890)
<b>Contribution from/distribution to owners of the Company</b>	-	-	-	(23,890)	(23,890)
<b>Balance at 30 September 2019</b>	121,832	(5,347)	50,092	657,284	823,861
<b>Balance as at 1 January 2018</b>	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)
<b>Total comprehensive income for the year</b>	-	-	7,078	190,178	197,256
<b>Transactions with owners</b>					
Purchase of treasury shares	-	(152)	-	-	(152)
Dividend paid	-	-	-	(9,556)	(9,556)
<b>Total transactions with owners</b>	-	(152)	-	(9,556)	(9,708)
<b>Balance at 31 December 2018</b>	121,832	(5,347)	44,151	506,505	667,141

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 THIRD QUARTER ENDED 30 SEPTEMBER 2019**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the period ended 30 September 2019 – unaudited

	Nine Months Ended	
	30-Sep-19	30-Sep-18
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	206,202	154,211
Adjustments for:		
Non-cash and non-operating items	50,149	22,049
Operating profit before working capital changes	256,351	176,260
Changes in working capital		
Net change in current assets	(244,135)	117,272
Net change in current liabilities	(225,271)	(74,373)
Cash (used in) / generated from operations	(213,055)	219,159
Tax paid	(19,498)	(789)
Tax refund	2,057	4,197
Interest paid	(26,398)	(19,017)
Interest received	336	310
<b>Net cash (used in) / from operating activities</b>	<b>(256,558)</b>	<b>203,860</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(48,901)	(76,180)
Payment to holding company	361	(4,471)
Proceeds from disposal of PPE	1,790	-
Payment for the lease rental	(124)	(124)
<b>Net cash used in investing activities</b>	<b>(46,874)</b>	<b>(80,775)</b>
<b>Cash flows from financing activities</b>		
Bank and other borrowings	328,212	(107,286)
Changes in Fixed deposit pledged	-	(728)
Purchase of treasury shares	-	(152)
Dividend paid	(23,890)	(9,556)
<b>Net cash from / (used in) financing activities</b>	<b>304,322</b>	<b>(117,722)</b>
Net increase in cash and cash equivalents	890	5,363
Effect of exchange rate changes	(384)	27,678
Cash and cash equivalents at the beginning of financial period	31,358	26,938
<b>Cash and cash equivalents at the end of financial period</b>	<b>31,864</b>	<b>59,979</b>
<b>Cash and cash equivalents at the end of financial period comprise of :</b>		
Deposits, bank and cash balances	46,260	73,673
Bank overdrafts	-	-
	46,260	73,673
Less : Non-cash and cash equivalents		
Fixed deposit pledged to bank as collateral	(14,396)	(13,694)
	<b>31,864</b>	<b>59,979</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 2018 and the accompanying explanatory notes attached to the interim financial statements.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 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**

First interim single-tier dividend of 1.5 sen per ordinary share amounting to RM7,167,073.37 in respect of the financial year ending 31 December 2019 was declared on 29 May 2019 and subsequently paid on 5 July 2019. The payment was made to shareholders whose names appeared in the Company’s Record of Depositors on 14 June 2019.

Second interim single-tier dividend of 1.5 sen per ordinary share amounting to RM7,167,073.37 in respect of the financial year ending 31 December 2019 was declared on 19 August 2019 and subsequently paid on 27 September 2019. The payment was made to shareholders whose names appeared in the Company’s Record of Depositors on 4 September 2019.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 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.

<b>Nine Months Ended 30 September 2019</b>	<b>Malaysia RM'000</b>	<b>Singapore RM'000</b>	<b>Indonesia RM'000</b>	<b>Others RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>Geographical Segments:</b>						
Total external revenue	872,596	1,138,713	87,383	47,051	-	2,145,743
Internal segment revenue	1,478,416	2,246,485	873,149	48,699	(4,646,749)	-
<b>Total revenue</b>	<b>2,351,012</b>	<b>3,385,198</b>	<b>960,532</b>	<b>95,750</b>	<b>(4,646,749)</b>	<b>2,145,743</b>
<b>Segment result</b>	<b>138,673</b>	<b>78,781</b>	<b>32,812</b>	<b>49,926</b>	<b>(44,527)</b>	<b>255,665</b>
Interest income						336
Finance cost						(26,398)
Depreciation & amortisation						(23,401)
Profit before tax						206,202
Tax expenses						(31,533)
Profit for the period						174,669
<b>Segment assets</b>	<b>1,086,475</b>	<b>128,710</b>	<b>714,982</b>	<b>105,514</b>	<b>-</b>	<b>2,035,681</b>
Tax recoverable						2,636
<b>Total assets</b>						<b>2,038,317</b>
<b>Segment liabilities</b>	<b>58,992</b>	<b>114,603</b>	<b>40,343</b>	<b>1,584</b>	<b>-</b>	<b>215,522</b>
Deferred tax liabilities						36,040
Tax payables						27,973
Borrowings						934,921
						1,214,456

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2019**

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

Nine Months Ended 30 September 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	651,739	873,714	44,029	40,572	-	1,610,054
Internal segment revenue	768,713	1,588,792	376,541	27	(2,734,073)	-
<b>Total revenue</b>	<b>1,420,452</b>	<b>2,462,506</b>	<b>420,570</b>	<b>40,599</b>	<b>(2,734,073)</b>	<b>1,610,054</b>
<b>Segment result</b>	<b>82,682</b>	<b>90,331</b>	<b>15,407</b>	<b>4,934</b>	<b>(347)</b>	<b>193,007</b>
Interest income						310
Finance cost						(19,017)
Depreciation & amortisation						(20,088)
Profit before tax						154,212
Tax expenses						(27,979)
Profit for the period						126,233
<b>Segment assets</b>	<b>798,161</b>	<b>187,039</b>	<b>494,267</b>	<b>77,181</b>	<b>-</b>	<b>1,556,648</b>
Tax recoverable						2,851
<b>Total assets</b>						<b>1,559,499</b>
<b>Segment liabilities</b>	<b>37,487</b>	<b>129,327</b>	<b>38,570</b>	<b>1,883</b>	<b>-</b>	<b>207,267</b>
Deferred tax liabilities						32,423
Tax payables						27,194
Borrowings						687,500
						954,384

**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 – THIRD QUARTER ENDED 30 SEPTEMBER 2019**

**A10. Profit before tax**

Included in the profit before tax are the following items:

	<b>Current Quarter Ended 30-Sep-19 RM'000</b>	<b>Current Year To-Date 30-Sep-19 RM'000</b>
Amortisation of prepaid lease payments	142	424
Amortisation of leases	292	869
Depreciation	7,639	22,108
Realised gain on foreign exchange	(2,008)	(4,062)
Unrealised loss on foreign exchange	4,776	1,584
Unrealised loss on forward currency contracts	2,862	5,134
Realised loss / (gain) on commodity future contracts	2,536	(17,753)
Unrealised gain on commodity future contracts	(5,557)	(2,498)
Unrealised loss / (gain) on commodity option contracts	209	(1,642)
Unrealised loss on currency option contracts	198	198
Unrealised loss on interest rate swap	-	4
Reversal of impairment loss on trade receivables	(3,217)	(2,739)
Interest expense	8,950	26,398
Interest income	(145)	(336)

**A11. Tax expense**

	<b>Current Quarter Ended</b>		<b>Current Year To-Date Ended</b>	
	<b>30-Sep-19</b>	<b>30-Sep-18</b>	<b>30-Sep-19</b>	<b>30-Sep-18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income tax expense:				
- Current period estimate	9,783	10,025	31,533	27,878
- Underprovision in prior year	-	6	-	101
	<b>9,783</b>	<b>10,031</b>	<b>31,533</b>	<b>27,979</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 – THIRD QUARTER ENDED 30 SEPTEMBER 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	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
Profit for the financial period attributable to owners of the Company (RM'000)	60,532	43,871	174,669	126,233
Weighted average number of ordinary shares in issue ('000)	477,805	477,862	477,805	477,862
Basic earnings per share (sen)	12.67	9.18	36.56	26.42

**A13. Prepaid lease payments**

	30-Sep-19	31-Dec-18
	RM'000	RM'000
<b>Cost:</b>		
At 1 January	10,187	10,669
Add: Payment for sub-leases	-	-
Additions	-	-
	10,187	10,669
Less: Amortisation of prepaid lease payments	(424)	(806)
Sub-lease rental	124	124
Foreign exchange difference	(106)	200
Disposal of subsidiaries	-	-
At 30 September / December	9,781	10,187
<b>Analysed as:</b>		
Sub-leases of warehouse	418	542
Leasehold land	9,363	9,645
	9,781	10,187

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2019**

**A14. Intangible assets**

	<b>Goodwill RM'000</b>	<b>Trademark RM'000</b>	<b>Total RM'000</b>
<b>Cost:</b>			
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 30 September 2019	11,945	13	11,958
<b>Accumulated amortisation and impairment</b>			
At 1 January 2018	-	(1)	(1)
Amortisation	-	(1)	(1)
Impairment	-	-	-
At 31 December 2018 and 1 January 2019	-	(2)	(2)
Amortisation	-	-	-
Impairment	-	-	-
At 30 September 2019	-	(2)	(2)
<b>Net carrying amount:</b>			
At 31 December 2018	11,945	11	11,956
At 30 September 2019	11,945	11	11,956

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 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
<b>30 September 2019</b>				
<b>Financial assets</b>				
<b>Derivative assets :</b>				
- commodity futures contract	7,869	-	-	7,869
- commodity option contracts	2,921	-	-	2,921
	<b>10,790</b>	<b>-</b>	<b>-</b>	<b>10,790</b>
<b>Financial liabilities</b>				
<b>Derivative liabilities :</b>				
- forward foreign currency contracts	-	322	-	322
- commodity futures contract	1,802	-	-	1,802
- commodity option contracts	1,527	-	-	1,527
- interest rate swap	-	-	-	-
	<b>3,329</b>	<b>322</b>	<b>-</b>	<b>3,651</b>
<b>31 December 2018</b>				
<b>Financial assets</b>				
<b>Derivative assets :</b>				
- 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
	<b>35,987</b>	<b>5,282</b>	<b>-</b>	<b>41,269</b>
<b>Financial liabilities</b>				
<b>Derivative liabilities :</b>				
- 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
	<b>32,025</b>	<b>1,004</b>	<b>-</b>	<b>33,029</b>

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 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 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>30 September 2019</b>				
<b>Other financial liabilities :</b>				
- Hire purchases	-	755	-	755
	-	755	-	755
<b>31 December 2018</b>				
<b>Other financial liabilities :</b>				
- 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	30-Sep-19 RM'000	31-Dec-18 RM'000
<b>Current</b>			
- Term loans	USD	13,259	15,309
	RM	411	-
- Trade loans	USD	726,757	406,988
	GBP	80,781	5,086
- Revolving credit	USD	62,850	129,442
	RM	2,000	2,000
- Obligation under finance leases	RM	176	170
		886,234	558,995
<b>Non-Current</b>			
- Term loans	USD	45,811	42,661
	RM	2,297	-
- Obligation under finance leases	RM	579	711
		48,687	43,372
		<b>934,921</b>	<b>602,367</b>

**NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 2019**

**A17. Contingent liabilities**

	Group and company	
	30-Sep-19	31-Dec-18
	RM'000	RM'000
<b>Corporate guarantees - unsecured</b>		
Issued to banks for banking facilities granted to subsidiaries		
- limit of guarantee	1,859,367	1,712,047
- amount utilised	(925,861)	(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:-

	<b>RM'000</b>
Authorised and contracted for	<u>3,593</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	<u>78,641</u>

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

There was no material events subsequent to the current quarter ended 30 September 2019 that have not been reflected in this quarterly report.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS – THIRD QUARTER ENDED 30 SEPTEMBER 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 RM744.6 million for the current quarter ended 30 Sept 2019 is higher than the revenue in the previous corresponding quarter ended 30 Sept 2018 of RM598.8 million. The increase of 24.3% in turnover is mainly due to increase in sales volume of cocoa products.

The Group made a profit before tax for the quarter 30 Sept 2019 of RM70.0 million as compared with the profit before tax of RM53.9 million in the preceding year corresponding quarter ended 30 Sept 2018. This is mainly due to higher sales volume achieved during current quarter ended 30 Sept 2019 as compared to preceding year corresponding quarter ended 30 Sept 2018.

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

The Group recorded a lower profit before tax of RM70.0 million for the current quarter as compared to a profit before tax of RM72.0 million in the immediate preceding quarter. This is mainly due to slight decrease in sales volume of cocoa butter during this quarter.

**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 – THIRD QUARTER ENDED 30 SEPTEMBER 2019**

**B6. Derivative financial instruments**

Details of the outstanding derivative financial instruments as at 30 September 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	95,516	(121)	For hedging currency risk
	Purchase Contracts - Less than 1 year	0	0	
2	Commodity Futures Sale Contracts - Less than 1 year	309,054	(3,051)	For hedging price risk
	Purchase Contracts - Less than 1 year	262,003	10,720	
	- 1 year to 3 years	5,286	(208)	

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 November 2019, the board declared the third interim single-tier dividend of 1.0 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 5 December 2019 and subsequently will be paid on 3 January 2020.

**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: 18.11.2019