

CNI HOLDINGS BERHAD (181758-A)
(Incorporated in Malaysia under the Companies Act, 1965)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		2018	2017	2018	2017
		CURRENT QUARTER 30/06/2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/06/2017 RM'000	CURRENT YEAR TO DATE 30/06/2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/06/2017 RM'000
Revenue	B 1	20,662	19,736	38,947	38,529
Direct operating costs		(12,091)	(8,881)	(19,369)	(17,277)
Gross profit		8,571	10,855	19,578	21,252
Other income		978	87	960	522
Operating costs		(7,845)	(11,771)	(18,775)	(24,066)
Finance costs		(14)	(4)	(35)	(7)
Share of profit/(loss) of an associate		(34)	(376)	2	(211)
Profit/(Loss) before taxation	B 2	1,656	(1,209)	1,730	(2,510)
Taxation	B 5	(280)	153	(349)	271
Profit/(Loss) for the financial period		1,376	(1,056)	1,381	(2,239)
Other comprehensive income/(loss)		121	(281)	144	(89)
Total comprehensive profit/(loss) for the financial period		1,497	(1,337)	1,525	(2,328)
Profit/(Loss) attributable to:					
Owners of the company		1,163	(1,433)	1,151	(2,391)
Non-controlling interest		213	377	230	152
		1,376	(1,056)	1,381	(2,239)
Total comprehensive profit attributable to:					
Owners of the company		1,284	(1,714)	1,295	(2,480)
Non-controlling interest		213	377	230	152
		1,497	(1,337)	1,525	(2,328)
Weighted average number of shares in issue ('000)		712,905	712,905	712,905	712,905
Earnings per share (sen) - basic	B 10	0.16	(0.20)	0.16	(0.34)
- diluted	B 10	0.16	(0.20)	0.16	(0.34)

Note 1:

The Unaudited Condensed Consolidated Statements 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 this interim financial report.

CNI HOLDINGS BERHAD (181758-A)
(Incorporated in Malaysia under the Companies Act, 1965)
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2018

Note	Unaudited AS AT 30/06/2018 RM'000	Audited AS AT 31/12/2017 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	33,727	34,577
Investment properties	2,370	2,370
Intangible asset	1,201	1,292
Investment in preference shares	3,500	3,500
Investment in associate	2,087	2,085
Deferred tax asset	1,168	1,249
	44,053	45,073
Current Assets		
Inventories	14,580	14,143
Trade receivables	14,342	13,503
Other receivables, deposits and prepayments	5,119	5,229
Tax recoverable	470	564
Short-term investment	11,523	13,435
Cash and cash equivalents	5,266	8,561
	51,300	55,435
TOTAL ASSETS	95,353	100,508
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	72,000	72,000
Treasury shares	(1,710)	(1,699)
Exchange translation reserve	(528)	(672)
Retained earnings	6,022	4,871
Total equity attributable to the owners of the Company	75,784	74,500
Non-controlling interest	1,712	1,482
Total Equity	77,496	75,982
Non-current Liabilities		
Finance lease liabilities	827	849
Retirement benefits	2,300	4,111
Deferred tax liabilities	806	806
	3,933	5,766
Current Liabilities		
Trade payables	2,568	4,536
Other payables, deposits and accruals	10,401	13,212
Finance lease liabilities	607	466
Tax Payable	348	546
	13,924	18,760
Total Liabilities	17,857	24,526
TOTAL EQUITY AND LIABILITIES	95,353	100,508
Net assets per share attributable to owners of the Company (RM)	0.11	0.11

Note:

The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.

CNI HOLDINGS BERHAD (181758-A)
(Incorporated in Malaysia under the Companies Act, 1965)
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	← Attributable to the Owners of the Company →					Total
	← Non-distributable →			Distributable Retained Earnings	Non-Controlling interest	
	Issued Capital	Treasury Shares	Exchange translation reserve			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as of 1 January 2018	72,000	(1,699)	(672)	4,871	1,482	75,982
Comprehensive income						
Profit for the period	-	-	-	1,151	230	1,381
Other comprehensive income						
Foreign currency translation	-	-	144	-	-	144
Total comprehensive income for the period	-	-	144	1,151	230	1,524
Transactions with owners						
Purchase of treasury shares	-	(11)	-	-	-	(11)
Total transactions with owners	-	(11)	-	-	-	(11)
Balance as of 30 June 2018	72,000	(1,710)	(528)	6,022	1,712	77,496

	← Attributable to the Owners of the Company →					Total
	← Non-distributable →			Distributable Retained Earnings	Non-Controlling interest	
	Issued Capital	Share Premium	Exchange translation reserve			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as of 1 January 2017	72,000	(1,683)	(911)	6,865	968	77,239
Comprehensive income						
Loss for the period	-	-	-	(2,391)	152	(2,239)
Other comprehensive loss						
Foreign currency translation	-	-	(89)	-	-	(89)
Total comprehensive income/(loss) for the period	-	-	(89)	(2,391)	152	(2,328)
Transactions with owners						
Purchase of treasury shares	-	(9)	-	-	-	(9)
Total transactions with owners	-	(9)	-	-	-	(9)
Balance as of 30 June 2017	72,000	(1,692)	(1,000)	4,474	1,120	74,902

Note:

The Unaudited Condensed Consolidated Statements 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 this interim financial report.

CNI HOLDINGS BERHAD (181758-A)
(Incorporated in Malaysia under the Companies Act, 1965)
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	6 Months Ended 30/06/2018 RM'000	6 Months Ended 30/06/2017 RM'000
Cash Flows from Operating Activities		
Profit/(Loss) before tax	1,730	(2,510)
Adjustment for:		
Amortisation of intangible assets	91	367
Depreciation of property, plant and equipment	1,155	995
Interest expenses	-	6
Interest income	(198)	(216)
Inventories written off	(4)	112
Loss on disposal of property, plant and equipment	(5)	(29)
Property, plant and equipment written off	11	8
Provision/(Reversal) for employee benefits expenses	(1,335)	182
Retirement benefit expense	37	88
Share of other comprehensive income of associate	(2)	211
Unrealised (gain) / loss on foreign exchange currency	73	234
	1,553	(552)
Operating profit/(loss) before working capital changes		
Inventories	(432)	(1,028)
Receivables	(802)	(364)
Payables	(4,816)	(414)
	(4,497)	(2,358)
Cash used in operations		
Interest paid	-	(6)
Interest received	198	216
Tax paid	(402)	(268)
Tax refund	28	148
	(4,673)	(2,268)
Net cash used in operating activities		
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(311)	(613)
Purchase of investment property	-	(570)
Proceed from disposal of property, plant and equipment	-	31
Withdrawal/(Purchase) of short-term investments	1,912	3,093
Net cash generated from investing activities	1,601	1,941
Cash Flows from Financing Activities		
Purchase of treasury shares	(11)	(9)
Repayment of finance lease liabilities	119	233
Payment of retirement benefit expense	(475)	(3,000)
	(367)	(2,776)
Net cash used in financing activities		
Net Decrease in Cash and Cash Equivalents	(3,439)	(3,103)
Foreign exchange differences	144	(188)
Cash and Cash Equivalents at beginning of period	8,561	7,706
Cash and Cash Equivalents at end of period	5,266	4,415
Cash and Cash Equivalents at end of period comprise of the followings:-		
Cash and bank balances	5,266	4,415
	5,266	4,415

Note :

The Unaudited Condensed Consolidated Statements of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the reporting requirements outlined in the Malaysia Financial Reporting Standards ("MFRS") 134 - Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa”).

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

The interim financial statements of the Group have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”) and the Companies Act, 2016.

A2. Significant Accounting Policies

The accounting policies and presentation adapted by the Group in this interim financial statements are consistent with these adopted for the audited financial statements of the Group for the financial year ended 31 December 2017.

The accounting policies and presentation adapted by the Group in this interim financial statements are consistent with these adopted for the audited financial statements of the Group for the financial year ended 31 December 2017.

Effective for financial periods beginning on or after 1 January 2019

MFRS 16	Leases
IC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to MFRS 9	Prepayment Feature with Negative Compensation
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
Amendments to MFRS 119	Plan Amendments, Curtailment or Settlement

Annual Improvements to MFRSs 2015-2017 Cycle

Effective for financial periods beginning on or after 1 January 2021

MFRS 17	Insurance Contracts
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Effective date to be announced

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134

A2. Significant Accounting Policies (Cont’d)

MFRS 15, Revenue from Contracts with Customers

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognized upon delivery of goods when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

With the adoption of MFRS15, does not have a material effect on the Group’s financial statements.

MFRS 16, Leases

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

MFRS 9, Financial Instruments

The Group adopted MFRS 9 Financial Instruments on 1 January 2018. MFRS 9 replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

MFRS 9 contains the classifications categories for financial assets either measured at amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”). The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking Expected credit loss (“ECL”) model. Under MFRS 9 loss allowances will be measured on either 12 month ECLs or Lifetime ECLs and the Group elected not to restate the comparatives.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134

A3. Auditors' Report

There were no audit qualifications on the annual audited financial statements of the Group for the financial year ended 31 December 2017.

A4. Seasonal or Cyclical Factors

The Group's performance is affected by seasonal or cyclical factors on quarter-to-quarter basis; the demand may be skewed towards major festivities such as Hari Raya Puasa and Chinese New Year. This pattern is in line with the forecast and expectation of the Group.

A5. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current quarter and financial year-to-date under review.

A6. Material Changes in Estimates

There were no changes in the estimate of amounts reported in the prior interim periods of the current financial year, or in previous years, which have material effect on the current quarter under review.

A7. Changes in Debts and Equity Securities

Save as disclosed below, there were no issuances, repurchases and repayment of debt and equity securities during the quarter ended 30 June 2018.

As at 30 June 2018, the number of treasury shares held was 7,157,100 CNI Shares.

A8. Dividend Paid

There were no dividends paid during the current quarter and financial year-to-date under review.

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134

A9. Segmental Reporting

The segmental revenue and results for the financial year-to-date under review are as follows:-

	Current quarter		Year to-date	
	Revenue	Results	Revenue	Results
	30/06/2018	30/06/2018	30/06/2018	30/06/2018
	RM'000	RM'000	RM'000	RM'000
Marketing and trading	13,644	137	27,313	(119)
Manufacturing	11,276	820	22,011	1,101
Others	691	370	1,462	288
Inter-segment elimination	(4,949)	363	(11,839)	458
	20,662	1,690	38,947	1,728
Share of profit of associates		(34)		2
Income tax credit		(280)		(349)
Non-controlling interests		(213)		(230)
Profit for the period		1,163		1,151

The segmental revenue and results for the preceding year's corresponding financial year-to-date are as follows:-

	Current quarter		Year to-date	
	Revenue	Results	Revenue	Results
	30/06/2017	30/06/2017	30/06/2017	30/06/2017
	RM'000	RM'000	RM'000	RM'000
Marketing and trading	16,119	(680)	32,877	(884)
Manufacturing	11,101	1,601	17,907	783
Others	674	(436)	2,447	287
Inter-segment elimination	(8,158)	(1,318)	(14,702)	(2,485)
	19,736	(833)	38,529	(2,299)
Share of profit of associates		(376)		(211)
Income tax credit		153		271
Non-controlling interests		(377)		(152)
Loss for the period		(1,433)		(2,391)

A10. Changes in the Composition of the Group

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

A11. Changes in Contingent Assets and Contingent Liabilities

As at the date of this announcement, there were no material changes in contingent assets and contingent liabilities of the Group since the last audited financial statements for the financial year ended 31 December 2017.

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134

A12. Capital Commitment

The outstanding capital commitments as at the end of the financial period were as follows:

	As at 30.06.2018 RM'000
Capital expenditure approved and contracted for	360
Capital expenditure approved and not contracted for	1,946
	<u>2,306</u>

A13. Subsequent Material Events

There were no material events subsequent to the current quarter up to the date of the interim financial report.

A14. Related Party Transactions

Related party transactions were summarized as follows:

	Current quarter RM'000	Cumulative quarter RM'000
<u>CNI Corporation Sdn Bhd</u>		
Management fee paid and payable	73	146
IT and eCommerce related service	53	106
Trade purchase paid and payable	177	309
Commission receivable	147	214
<u>CNI Venture Sdn Bhd</u>		
Research and development expenditure paid and payable	72	146
<u>CNI China Co. Ltd</u>		
Sales received and receivable	229	229
<u>CNI IPHC</u>		
Trademark fee paid and payable	59	117
<u>Law Yang Keat</u>		
Sales development and marketing advisory paid and payable	18	36

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of Performance

(a) Results for current year quarter compared to corresponding quarter of the preceding year

The Group recorded revenue of RM20.66 million for the current quarter ended 30 June 2018 as compared to RM19.74 million in the previous year corresponding quarter, increased by 5%.

	Current year quarter	Preceding Year Corresponding quarter	Changes %	Current year-to-date	Preceding Year Corresponding quarter	Changes %
	30/06/2018	30/06/2017		30/06/2018	30/06/2017	
	RM'000	RM'000		RM'000	RM'000	
Revenue	20,662	19,736	5%	38,947	38,529	1%
Profit/(Loss) Before Tax	1,656	(1,209)	237%	1,730	(2,510)	169%
Profit/(Loss) After Tax	1,376	(1,056)	230%	1,381	(2,239)	162%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	1,163	(1,433)	182%	1,151	(2,391)	149%

The revenue from the marketing and trading segment decreased from RM16.1 million to RM13.6 million, a decrease of 15% as compared to the previous corresponding quarter. This was mainly attributable to lower sales and uncertainties in domestic economic outlook.

Revenue contribution from the manufacturing segment increased from RM11.1 million to RM11.3 million, an increase of 2% as compared to the previous corresponding quarter. The higher revenue was mainly contributed by the increased of Exclusive Mark's external sales.

The others segment representing investment holding, retail of food and beverage businesses. The revenue remain at RM0.7 million. Results for the current quarter improved due to lower operating expenses.

(b) Results for Current YTD 2018 vs corresponding YTD 2017

The Group's revenue for the financial period ended 30 June 2018 was RM38.9 million, 1% higher than previous financial corresponding period. The encouraging results were mainly attributed by better performance from its manufacturing division.

The Group's profit after tax for the financial period ended 30 June 2018 was RM1.38 million.

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**B2. Material Change in Profit before Taxation (“PBT”) of Current Quarter Compared with Immediate Preceding Quarter**

The Group’s PBT for the current quarter was RM1.66 million, compared to PBT of RM0.07 million in the immediate preceding quarter, mainly driven by increase in revenue and lower operating expenses in current quarter.

	Current quarter	Immediate Preceding quarter	Changes %
	30/06/2018	31/03/2018	
	RM’000	RM’000	
Revenue	20,662	18,285	13%
Profit Before Tax	1,656	74	2138%

B3. Commentary on Prospects and Targets

The Marketing & Trading Segment will consolidate its business venture and focus in strengthening the growth of its networking starting in Malaysia.

The Board will continue to be mindful of the operating cost and seek new opportunities to enhance operating efficiency and growth.

B4. Profit Forecast and Profit Guarantee

The Group has not issued or disclosed in any public documents any profit forecast or profit guarantee for the current quarter under review.

B5. Income Tax Expense/ (Credit)

The breakdown of tax charge/ (credit) for the current quarter and financial year-to-date were as follows:

	Current quarter RM’000	Year-to-date RM’000
Income Tax Expense / (Credit)	<u>280</u>	<u>349</u>

B6. Corporate Proposals

There were no corporate proposals announced but not completed as at 23 August 2018 (the latest practicable date which is not earlier than 7 days from the date of this quarterly report).

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B7. Group Borrowings and Debt Securities

The details of the Group borrowings (denominated in Ringgit Malaysia and foreign currency) as at 30.06.2018 were as follow:

	Foreign Denomination		RM Denomination	Total
	THB'000 #	RM'000	RM'000	RM'000
<u>Secured</u>				
Short-term borrowings				
Hire purchase payable	41	5	607	607
Long-term borrowings				
Hire purchase payable	-		827	827
	41	5	1,434	1,434

Exchange rate for THB 100 : 12.19

B8. Material Litigation

The Group is not engaged in any material litigation since the date of the last annual statement of financial position up to the date of issuance of this quarterly report.

B9. Proposed Dividend

There was no dividend proposed in the current quarter

B10. Earnings per Share

(a) Earnings per share

The basic earnings per share for the current quarter and financial period-to-date are computed as follow:

	Individual Quarter		Cumulative Quarter	
	Current Quarter	Preceding Year Corresponding Quarter	Current Year to-date	Preceding Year Corresponding Period
Profit/(Loss) attributable to the owners of the Company (RM'000)	1,163	(1,433)	1,151	(2,391)
Weighted average number of ordinary shares in issue ('000)	712,905	712,905	712,905	712,905
Basic earnings per share (sen)	0.16	(0.20)	0.16	(0.34)

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B10. Earnings per Share (Con't)

(b) Diluted earnings per share

There were no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the financial period.

B11. Profit for the period

Profit before tax is arrived at after charging/ (crediting) the following items:

	Current Quarter RM'000	Financial Year-to-date RM'000
Amortisation of intangible assets	10	91
Depreciation of property, plant and equipment	607	1,155
Interest expenses	14	35
Inventories (written down)/written off	72	(4)
Income distribution from short term investment	(86)	(198)
Gain on disposal of property, plant and equipment	-	(6)
Property, plant and equipment written off	-	11
Provision/(reversal) for employee benefits expenses	(1,318)	(1,335)
Retirement benefits expenses	17	37
Unrealised loss / (gain) on foreign exchange	(176)	73

B12. Authorised for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 August 2018.