

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 SEPTEMBER 2018**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		2018	2017	2018	2017
		CURRENT QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
		30/09/2018	30/09/2017	30/09/2018	30/09/2017
		RM'000	RM'000	RM'000	RM'000
Revenue	B 1	22,779	24,854	61,726	63,384
Direct operating costs		(6,742)	(8,503)	(26,111)	(25,782)
Gross profit		16,037	16,351	35,615	37,602
Other income		1,257	(147)	2,217	375
Operating costs		(16,534)	(13,332)	(35,309)	(37,398)
Finance costs		(38)	(2)	(73)	(9)
Share of profit/(loss) of an associate		152	(351)	154	(562)
Profit before taxation	B 2	874	2,519	2,604	8
Taxation	B 5	(581)	(475)	(930)	(204)
Profit/(Loss) for the financial period		293	2,044	1,674	(196)
Other comprehensive loss		(199)	(281)	(55)	(201)
Total comprehensive profit/(loss) for the financial period		94	1,763	1,619	(397)
Profit/(Loss) attributable to:					
Owners of the company		191	1,475	1,342	(917)
Non-controlling interest		102	569	332	721
		293	2,044	1,674	(196)
Total comprehensive profit/(loss) attributable to:					
Owners of the company		(8)	1,194	1,287	(1,118)
Non-controlling interest		102	569	332	721
		94	1,763	1,619	(397)
Weighted average number of shares in issue ('000)		712,905	712,905	712,905	712,905
Earnings per share (sen) - basic	B 10	0.03	0.21	0.19	(0.13)
- diluted	B 10	0.03	0.21	0.19	(0.13)

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 SEPTEMBER 2018

	Note	Unaudited AS AT 30/09/2018 RM'000	Audited AS AT 31/12/2017 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		33,382	34,577
Investment properties		2,370	2,370
Intangible asset		1,238	1,292
Investment in preference shares		3,500	3,500
Investment in associate		2,240	2,085
Other Investment		500	0
Deferred tax asset		1,285	1,249
		<u>44,515</u>	<u>45,073</u>
Current Assets			
Inventories		15,786	14,143
Trade receivables		12,880	13,503
Other receivables, deposits and prepayments		6,130	5,229
Tax recoverable		0	564
Short-term investment		10,951	13,435
Cash and cash equivalents		6,499	8,561
		<u>52,246</u>	<u>55,435</u>
TOTAL ASSETS		<u>96,761</u>	<u>100,508</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		72,000	72,000
Treasury shares		(1,718)	(1,699)
Exchange translation reserve		(727)	(672)
Retained earnings		6,213	4,871
Total equity attributable to the owners of the Company		<u>75,768</u>	<u>74,500</u>
Non-controlling interest		1,814	1,482
Total Equity		<u>77,582</u>	<u>75,982</u>
Non-current Liabilities			
Finance lease liabilities	B 7	676	849
Retirement benefits		2,320	4,111
Deferred tax liabilities		806	806
		<u>3,802</u>	<u>5,766</u>
Current Liabilities			
Trade payables		1,816	4,536
Other payables, deposits and accruals		12,774	13,212
Finance lease liabilities	B 7	602	466
Tax Payable		185	546
		<u>15,377</u>	<u>18,760</u>
Total Liabilities		<u>19,179</u>	<u>24,526</u>
TOTAL EQUITY AND LIABILITIES		<u>96,761</u>	<u>100,508</u>
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 SEPTEMBER 2018

	← Attributable to the Owners of the Company →					Total
	← Non-distributable				Distributable	
	Issued Capital	Treasury Shares	Exchange translation reserve	Retained Earnings	Non-Controlling interest	
	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	-	-	-	1,342	332	1,674
Other comprehensive income						
Foreign currency translation	-	-	(55)	-	-	(55)
Total comprehensive income for the period	-	-	(55)	1,342	332	1,619
Transactions with owners						
Purchase of treasury shares	-	(19)	-	-	-	(19)
Total transactions with owners	-	(19)	-	-	-	(19)
Balance as of 30 September 2018	72,000	(1,718)	(727)	6,213	1,814	77,582

	← Attributable to the Owners of the Company →					Total
	← Non-distributable				Distributable	
	Issued Capital	Share Premium	Exchange translation reserve	Retained Earnings	Non-Controlling interest	
	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	-	-	-	(917)	721	(196)
Other comprehensive loss						
Foreign currency translation	-	-	(201)	-	-	(201)
Total comprehensive income/(loss) for the period	-	-	(201)	(917)	721	(397)
Transactions with owners						
Purchase of treasury shares	-	(16)	-	-	-	(16)
Total transactions with owners	-	(16)	-	-	-	(16)
Balance as of 30 September 2017	72,000	(1,699)	(1,112)	5,948	1,689	76,826

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 SEPTEMBER 2018

	9 Months Ended 30/09/2018 RM'000	9 Months Ended 30/09/2017 RM'000
Cash Flows from Operating Activities		
Profit before tax	2,604	8
Adjustment for:		
Amortisation of intangible assets	101	384
Depreciation of property, plant and equipment	1,432	1,162
Interest expenses	73	9
Interest income	(259)	(338)
Inventories written off	111	141
Gain on disposal of property, plant and equipment	(6)	(35)
Property, plant and equipment written off	11	10
Reversal for employee benefits expenses	-	(215)
Impairment loss on trade and other receivable	0	9
Retirement benefit expense	67	131
Share of other comprehensive income of associate	(154)	562
Unrealised loss on foreign exchange currency	212	1,029
	4,192	2,857
Operating profit before working capital changes	4,192	2,857
Inventories	(1,754)	(1,800)
Receivables	(490)	(1,532)
Payables	(3,158)	(1,140)
	(1,210)	(1,615)
Cash used in operations	(1,210)	(1,615)
Interest paid	(73)	(9)
Interest received	259	338
Tax paid	(763)	(687)
Tax refund	0	215
	(1,787)	(1,758)
Net cash used in operating activities	(1,787)	(1,758)
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(243)	(441)
Purchase of investment property	-	(570)
Purchase of other investment	(500)	-
Purchase of intangible assets	(47)	(130)
Withdrawal of short-term investments	2,484	3,093
	1,694	1,952
Net cash generated from investing activities	1,694	1,952
Cash Flows from Financing Activities		
Purchase of treasury shares	(19)	(16)
(Repayment)/Drawdown of finance lease liabilities	(37)	186
Payment of retirement benefit expense	(1,858)	(3,000)
	(1,914)	(2,830)
Net cash used in financing activities	(1,914)	(2,830)
Net Decrease in Cash and Cash Equivalents	(2,007)	(2,636)
Foreign exchange differences	(55)	(120)
Cash and Cash Equivalents at beginning of period	8,561	7,706
	6,499	4,950
Cash and Cash Equivalents at end of period	6,499	4,950
Cash and Cash Equivalents at end of period comprise of the followings:-		
Cash and bank balances	6,499	4,950
	6,499	4,950

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 adopted 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.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

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 September 2018.

During the financial period, the Company bought back from the open market 100,000 ordinary shares of the Company (“CNI Shares”) at an average buy-back price of RM0.11 per share. The total consideration paid, including transaction costs, was RM11,084 and its was financed by internally generated funds. The CNI Shares bought back were being held as treasury shares in accordance with Section 127 of the Companies Act 2016. Since the end of third quarter, the Company further repurchased 100,000 of its issued ordinary shares until the date of this interim financial statement.

As at 30 September 2018, the number of treasury shares held was 7,257,100 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
	30/09/2018	30/09/2018	30/09/2018	30/09/2018
	RM'000	RM'000	RM'000	RM'000
Marketing and trading	16,758	7,272	44,071	8,050
Manufacturing	12,404	1,104	34,415	2,205
Others	698	(198)	2,160	90
Inter-segment elimination	(7,081)	(7,456)	(18,920)	(7,895)
	22,779	722	61,726	2,450
Share of profit of associates		152		154
Income tax credit		(581)		(930)
Non-controlling interests		(102)		(332)
(Loss)/Profit for the period		191		1,342

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
	30/09/2017	30/09/2017	30/09/2017	30/09/2017
	RM'000	RM'000	RM'000	RM'000
Marketing and trading	15,926	497	48,803	(387)
Manufacturing	16,182	3,159	34,089	3,942
Others	733	(282)	3,181	5
Inter-segment elimination	(7,987)	(504)	(22,689)	(2,990)
	24,854	2,870	63,384	570
Share of profit of associates		(351)		(562)
Income tax credit		(475)		(204)
Non-controlling interests		(569)		(721)
Profit/(Loss) for the period		1,475		(917)

A10. Changes in the Composition of the Group

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

CNI Enterprise (M) Sdn Bhd, a wholly-owned subsidiary of the Company had, on 30 August 2018, disposed 112,699 ordinary shares of THB10 each, being 49% of the entire paid up share capital of Creative Network International (Thailand) Co., Ltd (“CNIT”) for a total cash consideration of THB10 only. Consequent to the said disposal, CNIT ceased as an associate company of the Company.

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

A12. Capital Commitment

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

	As at 30.09.2018 RM'000
Capital expenditure approved and contracted for	1,015
Capital expenditure approved and not contracted for	1,291
	<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	82	228
IT and eCommerce related service	53	159
Trade purchase paid and payable	345	654
Commission receivable	57	271
<u>CNI Venture Sdn Bhd</u>		
Research and development expenditure paid and payable	85	231
<u>CNI China Co. Ltd</u>		
Sales received and receivable	-	283
<u>CNI IPHC</u>		
Trademark fee paid and payable	62	179
<u>Law Yang Ket</u>		
Sales development and marketing advisory paid and payable	18	54

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 RM22.78 million for the current quarter ended 30 September 2018 as compared to RM24.85 million in the previous year corresponding quarter, decreased by 9%.

	Current year quarter	Preceding Year Corresponding quarter	Changes %	Current year-to-date	Preceding Year Corresponding quarter	Changes %
	30/09/2018	30/09/2017		30/09/2018	30/09/2017	
	RM'000	RM'000		RM'000	RM'000	
Revenue	22,779	24,854	-9%	61,726	63,384	-3%
Profit/(Loss) Before Tax	874	2,519	-65%	2,604	8	>100%
Profit/(Loss) After Tax	293	2,044	-86%	1,674	(196)	>100%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	191	1,475	-87%	1,342	(917)	>100%

The revenue from the marketing and trading segment increased from RM15.93 million to RM16.76 million, an increase of 5% as compared to the previous corresponding quarter. This was mainly attributable to an increase of revenue generated from the multi-level marketing.

Revenue contribution from the manufacturing segment decreased from RM16.18 million to RM12.40 million, a decrease of 23% as compared to the previous corresponding quarter. This was mainly attributed by lower sales order received.

The others segment representing investment holding, retail of food and beverage businesses. The revenue remain at RM0.7 million.

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

The Group's revenue for the financial period ended 30 September 2018 was RM61.73 million, 3% lower than previous financial corresponding period. This was mainly attributed by lower sales order received and uncertainties in domestic economic outlook.

The Group's profit after tax for the financial period ended 30 September 2018 was RM1.67 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 RM0.87 million, compared to PBT of RM1.66 million in the immediate preceding quarter, mainly driven by the impairment of receivables and cessation of business in Thailand in the current quarter.

	Current quarter	Immediate Preceding quarter	Changes %
	30/09/2018	30/06/2018	
	RM’000	RM’000	
Revenue	22,779	20,662	10%
Profit Before Tax	874	1,656	-47%

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

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

	Current quarter	Year-to-date
	RM’000	RM’000
Income Tax Expense	<u>581</u>	<u>930</u>

B6. Corporate Proposals

There were no corporate proposals announced but not completed as at 22 November 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 30.09.2018 were as follow:

	Total
	RM'000
<u>Secured</u>	
Short-term borrowings	
Hire purchase payable	602
Long-term borrowings	
Hire purchase payable	676
	1,278

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	Preceding Year	Current	Preceding Year
	Quarter	Corresponding	Year to-	Corresponding
		Quarter	date	Period
Profit/(Loss) attributable to the owners of the Company (RM'000)	191	1,475	1,342	(917)
Weighted average number of ordinary shares in issue ('000)	712,905	712,905	712,905	712,905
Basic earnings per share (sen)	0.03	0.21	0.19	(0.13)

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	101
Depreciation of property, plant and equipment	277	1,432
Interest expenses	38	73
Inventories written off	39	111
Income distribution from short term investment	(61)	(259)
Gain on disposal of property, plant and equipment	-	(6)
Property, plant and equipment written off	-	11
Retirement benefits expenses	24	67
Unrealised loss on foreign exchange	139	212

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 28 November 2018.