

CCK CONSOLIDATED HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No:396692-T

INTERIM FINANCIAL STATEMENTS

for the Financial Period Ended 30 September 2019

CCK CONSOLIDATED HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No. 396692-T

Interim Report for the Third Financial Quarter Ended 30 September 2019

CONDENSED STATEMENTS OF FINANCIAL POSITION

	As at 30.9.2019 RM'000 (Unaudited)	As at 31.12.2018 RM'000 (Audited)
ASSETS		
NON-CURRENT ASSETS		
Investment in an associate	25,058	21,234
Investment properties	17,149	17,212
Property, plant and equipment	175,533	173,431
Goodwill	380	380
Deferred tax assets	1,378	1,378
	<hr/> 219,498	<hr/> 213,635
CURRENT ASSETS		
Inventories	58,582	55,221
Biological assets	17,570	14,257
Trade receivables	38,222	39,095
Other receivables, deposits and prepayments	16,658	13,855
Current tax assets	714	2,393
Deposits with licensed banks	5,884	7,969
Cash and bank balances	22,599	24,076
	<hr/> 160,229	<hr/> 156,866
TOTAL ASSETS	<hr/> 379,727	<hr/> 370,501
EQUITY AND LIABILITIES		
Share capital	158,969	158,969
Treasury shares	(2,320)	(1,614)
Foreign exchange translation reserve	(3,461)	(4,482)
Retained profits	113,352	97,246
	<hr/> 266,540	<hr/> 250,119
Total Equity Attributable to Owners of the Company	266,540	250,119
Non-controlling interests	372	433
	<hr/> 266,912	<hr/> 250,552
TOTAL EQUITIES	<hr/> 266,912	<hr/> 250,552

The Condensed Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED STATEMENTS OF FINANCIAL POSITION (CONT'D)

	As at 30.9.2019 RM'000 (Unaudited)	As at 31.12.2018 RM'000 (Audited)
NON-CURRENT LIABILITIES		
Other payables, deposits and accruals	6,609	6,609
Bank borrowings	6,004	3,879
Deferred income	19	19
Deferred tax liabilities	10,197	10,187
	<hr/> 22,829	<hr/> 20,694
CURRENT LIABILITIES		
Trade payables	24,136	27,890
Other payables, deposits and accruals	14,127	15,805
Bank borrowings:-		
- bank overdrafts	2,147	1,963
- other borrowings	46,065	50,015
Provision for employee benefits	668	676
Current tax liabilities	2,843	2,906
	<hr/> 89,986	<hr/> 99,255
TOTAL LIABILITIES	<hr/> 112,815	<hr/> 119,949
TOTAL EQUITIES & LIABILITIES	<hr/> 379,727	<hr/> 370,501
	<hr/>	<hr/>
Net assets per share (RM)	0.42	0.40

The Condensed Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

	Share Capital RM'000	Treasury Shares RM'000	Foreign Exchange Translation Reserve RM'000	Distributable Retained Profits RM'000	Attributable to owners of the Company RM'000	Non- controlling Interest RM'000	Total Equity RM'000
At 30 September 2019							
Balance at 1.1.2019	158,969	(1,614)	(4,482)	97,246	250,119	433	250,552
Profit after taxation	-	-	-	23,960	23,960	27	23,987
- foreign currency translation difference	-	-	1,021	-	1,021	-	1,021
Total comprehensive income for the financial period	-	-	1,021	23,960	24,981	27	25,008
Contributions by and distributors to owners of the Company:-							
- Purchase of treasury shares	-	(706)	-	-	(706)	-	(706)
- Dividends:-							
-by the Company	-	-	-	(7,854)	(7,854)	-	(7,854)
-by subsidiaries to non-controlling interests	-	-	-	-	-	(88)	(88)
Total transactions with owners	-	(706)	-	(7,854)	(8,560)	(88)	(8,648)
Balance at 30.9.2019	158,969	(2,320)	(3,461)	113,352	266,540	372	266,912

The Condensed Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED STATEMENTS OF CHANGES IN EQUITY (CONT'D) (UNAUDITED)

	Share Capital RM'000	Treasury Share RM'000	Exchange Translation RM'000	Revaluation Reserve RM'000	Retained Profits RM'000	Attributable to owners of the Company RM'000	Non- controlling Interest RM'000	Total Equity RM'000
At 30 September 2018								
Balance at 1.1.2018								
- as previously stated	158,969	-	(3,158)	47,390	52,421	255,622	401	256,023
- effect of adopting MFRSs	-	-	-	(47,390)	40,953	(6,437)	-	(6,437)
- as restated	158,969	-	(3,158)	-	93,374	249,185	401	249,586
Profit after taxation	-	-	-	-	23,880	23,880	27	23,907
Other comprehensive income for the period:-								
- foreign currency translation difference	-	-	(2,086)	-	-	(2,086)	(6)	(2,092)
Total comprehensive income for the period	-	-	(2,086)	-	23,880	21,794	21	21,815
Contribution by and distributions to owners of The Company:-								
- purchase of treasury shares	-	(812)	-	-	-	(812)	-	(812)
Dividends paid by the Company	-	-	-	-	(9,461)	(9,461)	-	(9,461)
Total transactions with owners	-	(812)	-	-	(9,461)	(10,273)	-	(10,273)
Balance at 30.9.2018	158,969	(812)	(5,244)	-	107,793	260,706	422	261,128

The Condensed Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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Interim Report for the Third Financial Quarter Ended 30 September 2019

**CONDENSED STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.9.2019 (Unaudited) RM'000	Preceding year Corresponding Quarter 30.9.2018 (Unaudited) RM'000	Current Year to-Date 30.9.2019 (Unaudited) RM'000	Preceding year Corresponding Year to-Date 30.9.2018 (Unaudited) RM'000
Revenue	165,775	151,019	486,408	471,242
Cost of sales	(133,026)	(122,957)	(389,202)	(375,404)
Gross profit	32,749	28,062	97,206	95,838
Other income	1,784	1,661	3,540	5,385
Distribution costs	-	-	-	-
Administrative expenses	(5,084)	(5,817)	(20,006)	(21,901)
Other operating expenses	(20,193)	(17,340)	(51,235)	(49,966)
Share of results in an associate	1,431	725	3,823	3,455
Finance costs	(775)	(682)	(2,570)	(2,501)
Profit before taxation	9,912	6,609	30,758	30,310
Income tax expense	(2,218)	(1,340)	(6,771)	(6,403)
Profit after taxation	7,694	5,269	23,987	23,907
Other comprehensive income for the financial period:-				
- foreign currency translation difference	247	(356)	1,020	(2,094)
Total comprehensive income for the financial period	7,941	4,913	25,007	21,813
Profit after taxation attributable to:				
- Owners of the Company	7,687	5,263	23,960	23,880
- Non-controlling interests	7	6	27	27
	7,694	5,269	23,987	23,907
Total comprehensive income attributable to:				
- Owners of the Company	7,935	4,908	24,980	21,793
- Non-controlling interests	6	5	27	20
	7,941	4,913	25,007	21,813

The Condensed Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current	Preceding year	Current	Preceding year
	Year Quarter	Corresponding	Year to-Date	Corresponding
	30.9.2019	Quarter	30.9.2019	Year to-Date
	(Unaudited)	30.9.2018	(Unaudited)	30.9.2018
		(Unaudited)		(Unaudited)
Earnings per share(Sen):				
- Basic	1.22	0.84	3.80	3.79
- Diluted	N/A	N/A	N/A	N/A

The Condensed Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED STATEMENTS OF CASH FLOWS

	9-month period ended	
	<u>30.9.2019</u>	<u>30.9.2018</u>
	(Unaudited)	(Unaudited)
	RM'000	RM'000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit before taxation	30,758	30,310
Adjustments for non-cash items:-		
Non-cash items	11,913	13,151
Interest expenses	2,570	2,501
Interest income	(367)	(243)
Share of results in an associate	(3,823)	(3,455)
Operating profit before working capital changes	41,051	42,264
Increase in current assets	(4,784)	(6,480)
Decrease in current liabilities	(5,630)	(13,181)
Employee benefits paid	(28)	-
Cash from operations	30,609	22,603
Interest paid	(2,570)	(2,501)
Interest received	367	243
Income tax refunded	59	-
Income tax paid	(5,945)	(6,551)
Net cash from operating activities	22,520	13,794
<u>CASH FLOWS FOR INVESTING ACTIVITIES</u>		
Dividend received from an associate	-	2,407
Proceeds from disposal of property, plant and equipment	71	986
Purchase of property, plant and equipment	(16,045)	(14,338)
Net cash for investing activities	(15,974)	(10,945)
Balance carried forward	6,546	2,849

The Condensed Statements of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED STATEMENTS OF CASH FLOWS (CONT'D)

	9-month period ended	
	<u>30.9.2019</u>	<u>30.9.2018</u>
	(Unaudited)	(Unaudited)
	RM'000	RM'000
Balance brought forward	6,546	2,849
<hr/>		
CASH FLOWS FOR FINANCING ACTIVITIES		
Dividend paid	(7,941)	(9,461)
Drawdown from borrowings	2,752	-
Purchase of treasury shares	(706)	(812)
Repayment of borrowings	(4,577)	2,629
<hr/>		
Net cash for financing activities	(10,472)	(7,644)
<hr/>		
Net decrease in cash and cash equivalents	(3,926)	(4,795)
Effect of exchange rate changes on cash and cash equivalents	181	(512)
Cash and cash equivalents at beginning of the financial period	30,081	35,494
<hr/>		
Cash and cash equivalents at end of the financial period	26,336	30,187
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The Condensed Statements of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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Interim Report for the Third Financial Quarter Ended 30 September 2019

A. EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. BASIS OF PREPARATION

The condensed consolidated interim financial statements as contained in this interim financial report are unaudited and have been prepared under historical cost convention except otherwise stated.

These unaudited interim financial statements have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") 134: *Interim Financial Reporting* issued by Malaysian Accounting Standards Board ("MASB") and Paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements ("MMLR") issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia").

These unaudited interim financial statements should be read in conjunction with the audited financial statements of the 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 financial year ended 31 December 2018.

A2. SEASONALITY OR CYCLICALITY OF OPERATIONS

The Group's business operations were not affected by any significant seasonality or cyclicity factors in the current financial period.

A3. UNUSUAL ITEMS

There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual in nature, size, or incidence for the financial period under review.

A4. MATERIAL CHANGES IN ESTIMATES

There were no changes in estimates that have had a material effect on the results of the Group for the period under review.

A5. DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, resale or repayments of debts and equity securities for the period under review.

A6. DIVIDENDS PAID

No dividend has been paid for the current quarter during the financial period under review.

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A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONT'D)

A7. SEGMENT REPORTING

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Managing Director as its chief operating decision maker in order to allocate resources to segments and to assess their performance on a quarterly basis. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into 5 main reportable segments as follows:-

- Poultry Segment – involved in the rearing and production of poultry products.
 - Prawn Segment – involved in the rearing and production of prawn and seafood products.
 - Food Service Segment – involved in the supply and trading of food products and related services.
 - Retail Segment – involved in the trading of coldstorage products.
 - Corporate Segment – involved in the provision of management services.
- (a) Each reportable segment asset is measured based on all assets (including goodwill) of the segment other than investment in an associate and tax-related assets.
- (b) Each reportable segment liability is measured based on all liabilities of the segment other than tax-related liabilities.
- (c) Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the reportable segments are presented under unallocated items. Unallocated items comprise mainly head office expenses.
- (d) Transactions between reportable segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation

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A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONT'D)**A8. SEGMENT REPORTING (CONT'D)**

9 months period ended 30 September 2019	Poultry	Prawn	Food Service	Retail	Corporate	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE							
External revenue	93,186	17,630	13,276	362,316	-	-	486,408
Inter-segment revenue	135,178	16,799	10	75,641	275	(227,903)	-
Total segment revenue	228,364	34,429	13,286	437,957	275	(227,903)	486,408
RESULTS							
Segment results	8,395	482	1,185	19,197	246	-	29,505
Finance costs							(2,570)
Share of results in an associate							3,823
Profit before taxation							<u>30,758</u>

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A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONT'D)**A8. SEGMENT REPORTING (CONT'D)**

9 months period ended 30 September 2018	Poultry	Prawn	Food Service	Retail	Corporate	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE							
External revenue	71,083	13,729	11,341	375,089	-	-	471,242
Inter-segment revenue	140,657	12,526	11	63,860	2,682	(219,736)	-
Total segment revenue	211,740	26,255	11,352	438,949	2,682	(219,736)	471,242
RESULTS							
Segment results	6,505	842	1,067	21,949	(989)	-	29,356
Finance costs							(2,501)
Share of results in an associate							3,455
Profit before taxation							30,310

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A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONT'D)**A8. SEGMENT REPORTING (CONT'D)**

ASSETS	Poultry RM'000	Prawn RM'000	Food Service RM'000	Retail RM'000	Corporate RM'000	Consolidated RM'000
30 September 2019						
Segment assets						
Unallocated assets:-	80,992	27,343	11,962	225,503	6,398	352,198
Investment in an associate						25,057
Goodwill						380
Deferred tax assets						1,378
Current tax assets						714
Consolidated total assets						<u>379,727</u>
30 September 2018						
Segment assets	95,346	18,790	11,602	209,436	12,923	348,097
Unallocated assets:-						
Investment in an associate						21,717
Deferred tax assets						868
Unallocated assets						2,363
Consolidated total assets						<u>373,045</u>

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A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONT'D)**A8. SEGMENT REPORTING (CONT'D)**

LIABILITIES	Poultry	Prawn	Food Service	Retail	Corporate	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 September 2019						
Segment liabilities	26,716	3,748	1,699	39,801	30,751	102,715
Unallocated liabilities:-						
Deferred tax liabilities						10,197
Current tax liabilities						2,843
Unallocated liabilities and adjustments						(2,940)
Consolidated total liabilities						<u>112,815</u>
30 September 2018						
Segment liabilities	29,160	2,070	1,572	45,937	17,601	96,340
Unallocated liabilities:-						
Deferred tax liabilities						12,898
Unallocated liabilities and adjustments						2,679
Consolidated total liabilities						<u>111,917</u>

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A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONT'D)

A8. SEGMENT REPORTING (CONT'D)

Accordingly, no further segmental analysis is available for disclosures except for the following entity-wide disclosures as required by MFRS 8:-

GEOGRAPHICAL INFORMATION

Revenue is based on the country in which the customers are located.

Non-current assets are determined according to the country where these assets are located. The amounts of non-current assets do not include financial instruments and deferred tax assets.

<i>Revenue</i>	3-month ended		Cumulative Quarter	
	30.9.2019 (Unaudited) RM'000	30.9.2018 (Unaudited) RM'000	30.9.2019 (Unaudited) RM'000	30.9.2018 (Unaudited) RM'000
Australia	(3)	363	1,123	363
Hong Kong	15	708	636	1,811
Indonesia	27,208	19,889	79,178	74,048
Japan	2,811	851	5,276	2,674
Korea	350	-	524	-
People's Republic of China	-	160	-	667
Taiwan	456	-	456	-
Middle East	-	-	-	530
Malaysia	134,951	129,048	398,913	391,149
Vietnam	(13)	-	302	-
	<hr/>	<hr/>	<hr/>	<hr/>
	165,775	151,019	486,408	471,242

<i>Non-current assets</i>	As at	
	30.9.2019 (Unaudited) RM'000	30.9.2018 (Unaudited) RM'000
Indonesia	33,115	29,591
Malaysia	185,005	171,522
	<hr/>	<hr/>
	218,120	201,113

MAJOR CUSTOMERS

There is no single customer that contributed 10% or more to the Group's revenue.

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A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONT'D)

A9. PROPERTY, PLANT AND EQUIPMENT

a) Acquisition and Disposals

During the 9-month period ended 30 September 2019, the Group acquired assets at a total cost of RM16 million and there was immaterial disposal during the current quarter.

b) Impairment Losses

Neither losses from impairment of property, plant and equipment nor reversal of such impairment losses were recognised for the period under review.

c) Valuations

The Group did not carry out any additional valuation on its property, plant and equipment during the period under review.

A10. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

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

A12. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no contingent liabilities or contingent assets as at the date of this report.

A13. CAPITAL COMMITMENTS

There were no material changes in capital commitments since the end of the previous financial quarter except as disclosed in the explanatory notes.

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A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONT'D)

A14. RELATED PARTY DISCLOSURES

The Group carried out the following significant transactions with the related parties during the period under review:-

	3-month ended		Cumulative Quarter	
	30.9.2019 (Unaudited) RM'000	30.9.2018 (Unaudited) RM'000	30.9.2019 (Unaudited) RM'000	30.9.2018 (Unaudited) RM'000
Purchase of products	30,935	37,161	93,273	89,161
Service fee	-	410	-	1,262
Sale of products	157	470	464	794
Rental paid	8	-	23	-
Advisory income	2	-	4	-
Forwarding charges	-	-	1	-

A15. CASH AND CASH EQUIVALENTS

	As at	
	30.9.2019 (Unaudited) RM'000	30.9.2018 (Unaudited) RM'000
Cash and bank balances	22,599	26,520
Deposits with licensed banks	5,884	5,137
Bank overdrafts, secured	(2,147)	(1,470)
	<hr/>	<hr/>
	26,336	30,187

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B. EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

REVIEW OF OPERATING PERFORMANCE

	←--Individual Quarter--→		Variances	
	Current Year Quarter 30.9.2019 (Unaudited) RM'000	Preceding Year Quarter 30.9.2018 (Unaudited) RM'000	RM'000	%
Revenue	165,775	151,019	14,756	10
Gross profits	32,749	28,062	4,687	17
Profit before taxation	9,912	6,609	3,303	50
Profit after taxation	7,694	5,269	2,425	46
Profit after taxation attributable to owners of the Company	7,687	5,263	2,424	46

B1. Analysis of the results for the 3-months ended 30 September 2019 against 3-months ended 30 September 2018

Revenue

For the 3 months ended 30 September 2019, the Group recorded a revenue of RM165.77 million, an increase of approximately 10% when compared to the same quarter in 2018.

The Malaysian retail outlets showed an improvement in performance this year as compared to the same quarter last year. Our Indonesian operations revenue of RM27.2 million for the 3 months ended 30 September 2019 contributed to 16.4% of the Group's revenue (2018 : 13.17%). The prawn segment's revenue improved from last year by 80% with exports to Australia, Japan, Korea and Taiwan.

Profit before tax

The Group recorded a profit before tax of RM9.9 million for the 3 months ended 30 September 2019, an improvement of approximately 50% when compared to the same period in 2018. After taking into account a RM1.5m insurance compensation received in the 3rd quarter of 2018, the actual profit before tax increased by 94% in the 3rd quarter of 2019 as compared to the 3rd quarter of 2018.

The gross profit margin for the 3 months ended 30 September 2019 was 19.7% compared to 18.6% for the same quarter in 2018.

The increase in the prawn segment's revenue did not translate into better margin as the prawn segment faced a soft market with low global prices.

The retail segment's results improved by 22.7% compared to last year with better margins from the our network of retail stores.

The poultry segment also showed an improvement in results and margins due to lower feed costs.

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B. EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

	←--Cumulative Quarter--→		Variances	
	Current Year Quarter 30.9.2019 (Unaudited) RM'000	Preceding Year Quarter 30.9.2018 (Unaudited) RM'000	RM'000	%
Revenue	486,408	471,242	15,166	3
Gross profits	97,206	95,838	1,368	1
Profit before taxation	30,758	30,310	448	1
Profit after taxation	23,987	23,907	80	0.3
Profit after taxation attributable to owners of the Company	23,960	23,880	80	0.3

B2. Analysis of the results for the 9-months ended 30 September 2019 against 9-months ended 30 September 2018

Revenue

For the 9 months ended 30 September 2019, the Group recorded a revenue of RM486.4 million, representing an increase of approximately 3.0% over the same period last year whereby the revenue was recorded at RM471.2 million.

Revenue contribution from our Indonesian operations was at 16.3% for 2019, compared to 15.7% for the same period in 2018. The Group ended the 3rd quarter with 59 stores (2018 : 56 stores).

The prawn segment showed an improvement in revenue with with an increase of 28.4% compared to 2018.

Profit before tax

The Group's profit before tax stood at RM30.7 million for the 9 months ended 30 September 2019 (2018 : RM30.3 million). However, after eliminating the effects of insurance compensations of RM3.5 million received in 2018, the profit before tax reflected an actual increase of 14.7%.

Taking into consideration last year's insurance compensation effect, the retail segment showed a net increase in profit before tax of 4.05% in 2019. This is attributed to a better performance by our Indonesian operations.

The strengthening of the USD/MYR of approximately 3.69% in 2019 when compared to the same period in 2018 offset gains from the lower feed costs. The gross margin for the 9 months ended 30 September 2019 was 19.9% compared to 20.3% for the same period in 2018.

The share of results in our associate company, Gold Coin Sarawak Sdn Bhd, increased by 10% from RM3.4 million in 2018 to RM3.8 million in 2019.

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B. EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B3. COMPARISON WITH THE IMMEDIATE PRECEDING QUARTER'S RESULTS

	←-----Individual Quarter-----→			
	Current Year Quarter 30.9.2019 (Unaudited) RM'000	Immediate Preceding Quarter 30.6.2019 (Unaudited) RM'000	Variances	
			RM'000	%
Revenue	165,775	165,362	413	0.2
Gross profits	32,749	33,215	(466)	(1)
Profit before taxation	9,912	11,245	(1,333)	(12)
Profit after taxation	7,694	8,884	(1,190)	(13)
Profit after taxation attributable to owners of the Company	7,687	8,876	(1,189)	(13)

Revenue

In the 2nd quarter, a contributory factor towards the Group's revenue were the Kaamatan and Gawai festivals in Sabah and Sarawak, respectively, and the Aidilfitri celebrations in Malaysia and Indonesia.

Despite the absence of any major festivals in the 3rd quarter of the year, the Group's revenue maintained at RM165 million. The poultry, prawn and food services segments showed increases in revenues from the immediate preceding quarter. The retail segment's revenue was affected by lower egg prices, which are cyclical in nature.

Profit before tax

The Group's profit before tax declined by 12% from the 2nd quarter to RM9.9 million. The gross profit margin of the 3rd quarter was slightly lower at 19.75% comparing to 20% in the 2nd quarter. The strengthening of the USD against the MYR by 1.79% in the 3d quarter, affected the purchase costs of our imports of frozen beef, lamb and fish.

B4. FUTURE PROSPECTS

Amidst a background of unstable USD/MYR rates and challenging environment, the Group will continue to focus on evolving its pricing and marketing strategies.

Based on the current quarter's performance, the Group is confident of achieving a positive result in the last quarter of 2019. The Board of Directors is optimistic that our Indonesian operations will continue to positively improve its contribution towards the Group's performance.

Our Malaysian operations is expected to open 1 new store in the last quarter of 2019.

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B. EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B5. VARIANCE OF ACTUAL FINANCIAL RESULTS FROM FINANCIAL ESTIMATES, FORECASTS, PROJECTIONS OR INTERNAL TARGETS

The disclosure requirements for explanatory notes for the variance of the actual financial results after tax and minority interest against financial estimates, forecasts, projections or internal targets are not applicable to the Group.

B6. INCOME TAX EXPENSE

	3-month ended		Cumulative Quarter	
	30.9.2019 (Unaudited) RM'000	30.9.2018 (Unaudited) RM'000	30.9.2019 (Unaudited) RM'000	30.9.2018 (Unaudited) RM'000
Current tax	2,218	1,340	6,771	6,403
Effective tax rate	22%	20%	22%	21%

The effective tax rate of the Group for the current financial quarter was lower than the statutory tax rate principally due to tax losses incurred by certain subsidiary companies.

B7. STATUS OF CORPORATE PROPOSALS

There were no significant developments or changes in the corporate proposals.

B8. GROUP BORROWINGS

Details of the secured Group borrowings are as follows:-

	RM Denomination		Foreign Denomination	
	As at 30.9.2019 (Unaudited) RM'000	As at 30.9.2018 (Unaudited) RM'000	As at 30.9.2019 (Unaudited) RM'000	As at 30.9.2018 (Unaudited) RM'000
Current:-				
- bank overdrafts	2,147	1,470	-	-
- banker's acceptance	26,565	23,555	-	-
- revolving credit	19,500	25,500	-	-
- term loans	-	1,851	-	-
	48,212	52,376	-	-
Non-current:-				
- hire purchase	162	-	-	-
- term loans	5,842	4,557	-	-
	6,004	4,557	-	-
	54,216	56,933	-	-

The foreign denominated borrowings of the Group is Indonesian Rupiah ("RP") and it has been translated at rate of RP0.000295 (31.12.2018: RP0.000286).

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B. EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B9. MATERIAL LITIGATION

There was no litigation against the Group during the current quarter.

B10. DIVIDEND PAYABLE

The Board of Directors did not recommend any payment of dividend during the current quarter and financial period under review.

B11. EARNINGS PER SHARE

Basic:-

The basic earnings per share is based on the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the current quarter.

	3-month ended		Cumulative quarter	
	30.9.2019 (Unaudited)	30.9.2018 (Unaudited)	30.9.2019 (Unaudited)	30.9.2018 (Unaudited)
Profit attributable to owners of the Company (RM'000)	7,687	5,263	23,960	23,880
Weighted average number of ordinary shares at 1 January ('000)	315,359	315,359	315,359	315,359
Effect of treasury shares held	(13)	(844)	(37)	(297)
Effect of share split – subdivision of 1 into 2 ordinary shares *	315,359	315,359	315,359	315,359
Weighted average number of ordinary shares at 30 June ('000)	630,705	629,874	630,681	630,422
Basic earnings per share (Sen)	1.22	0.84	3.80	3.79

Diluted:-

The diluted earnings per share was not applicable as there were no dilutive potential ordinary shares outstanding during the current quarter.

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B. EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B12. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:-

	3-month ended		Cumulative Quarter	
	30.9.2019 (Unaudited) RM'000	30.9.2018 (Unaudited) RM'000	30.9.2019 (Unaudited) RM'000	30.9.2018 (Unaudited) RM'000
After charging/(crediting)-				
Allowance for impairment losses on receivables	35	18	272	58
Allowance for impairment losses on receivables no longer required	(41)	-	(67)	-
Bad debt written off	-	-	10	-
Bad debt recovered	-	-	(1)	-
Depreciation and amortisation	5,098	4,187	14,943	12,654
Loss/(gain) on fair value changes in biological assets	(1,479)	184	(3,313)	342
(Gain)/loss on disposal of property, plant and equipment	-	94	73	94
(Gain)/loss on foreign exchange:-				
- realised	(68)	(7)	(68)	3
- unrealised	-	-	(4)	-
Interest expense	775	682	2,570	2,501
Interest income	(100)	(8)	(367)	(243)
Property, plant and equipment written off	-	-	-	3

B13. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 31 December 2018 was not subject to any qualification.

B14. FINANCIAL INSTRUMENTS

The Group does not have any derivative financial instruments.

B15. AUTHORISATION FOR ISSUE

The quarterly report was authorised for issue by the Board of Directors on 21 November 2019.