

COCOLAND HOLDINGS BERHAD (Registration No. 200001013413, Co. No. 516019-H)

(Incorporated in Malaysia)

Financial Year End : 30 June 2020
 Quarter : Second Quarter

Quarterly report on results for the 2nd quarter ended 30 June 2020. These figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Current Year Quarter 30.06.2020 RM'000	Preceding Year Quarter 30.06.2019 RM'000	% change	Current Year To Date 30.06.2020 RM'000	Preceding Year To Date 30.06.2019 RM'000	% chang
Revenue	48,621	58,784	-17.3%	109,646	124,353	-11.8%
Cost Of Sales	(37,053)	(41,015)	-9.7%	(85,349)	(88,792)	-3.9%
Gross Profit	11,568	17,769	-34.9%	24,297	35,561	-31.7%
Other Income	1,531	2,734	-44.0%	4,624	3,776	22.5%
Net gain / (loss) on Impairment of Financial Instruments	372	(46)	-908.7%	457	579	-21.1%
Distribution Costs	(2,396)	(3,046)	-21.3%	(5,814)	(6,290)	-7.6%
Administrative Expenses	(5,938)	(5,993)	-0.9%	(11,953)	(11,429)	4.6%
Finance Costs	(1)	(6)	-83.3%	(4)	(8)	-50.0%
Profit Before Taxation	5,136	11,412	-55.0%	11,607	22,189	-47.7%
Taxation	(1,617)	(2,813)	-42.5%	(2,961)	(5,172)	-42.7%
Profit For the Financial Period	3,519	8,599	-59.1%	8,646	17,017	-49.2%
Other Comprehensive Income <i>Items that are or may be reclassified subsequently to profit or loss</i>						
- Exchange Translation Differences For Foreign Operations	22	9		6	(5)	
Other Comprehensive Loss For The Financial Period	22	9		6	(5)	
Total Comprehensive Income For The Financial Period	3,541	8,608		8,652	17,012	
Profit For The Financial Period Attributable To: Owners Of The Company	3,519	8,599		8,646	17,017	
Total Comprehensive Income Attributable To: Owners Of The Company	3,541	8,608		8,652	17,012	
Earnings Per Share Basic And Diluted Earnings Per Ordinary Share (Sen)	1.54	3.76		3.78	7.44	

Notes :

The Condensed Financial Statements should be read in conjunction with the accompanying explanatory notes attached to the financial statements.

COCOALAND HOLDINGS BERHAD (Registration No. 200001013413, Co. No. 516019-H)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**AS OF 30 JUNE 2020**

(These figures have not been audited)

	As At End Of Current Month (Unaudited) 30.06.2020 RM'000	As At End of Financial Year (Audited) 31.12.2019 RM'000
ASSETS		
Non-Current Assets		
Property, Plant And Equipment	107,988	63,037
Right-Of-Use Assets	597	37,796
Investment Properties	1,604	1,638
	<u>110,189</u>	<u>102,471</u>
Current Assets		
Inventories	42,308	35,099
Trade Receivables	37,280	48,743
Tax Recoverable	3,535	1,123
Other Receivables, Deposits & Prepayments	17,980	21,107
Fixed Deposits With Licensed Bank	61,868	73,941
Cash & Bank Balances	18,766	11,388
	<u>181,737</u>	<u>191,401</u>
TOTAL ASSETS	<u>291,926</u>	<u>293,872</u>
EQUITY AND LIABILITIES		
Equity Attributable To Owners Of The Company		
Share Capital	130,154	130,154
Revenue Reserves	127,346	118,700
Exchange Translation Reserves	195	189
TOTAL EQUITY	<u>257,695</u>	<u>249,043</u>
Non-Current Liabilities		
Lease Liabilities	194	266
Deferred Tax Liabilities	5,157	5,906
	<u>5,351</u>	<u>6,172</u>
Current Liabilities		
Trade Payables	18,282	20,329
Other Payables & Accruals	7,093	10,260
Lease Liabilities	416	452
Tax Payable	2,469	1,773
Bank Borrowing	620	5,843
	<u>28,880</u>	<u>38,657</u>
TOTAL LIABILITIES	<u>34,231</u>	<u>44,829</u>
TOTAL EQUITY AND LIABILITIES	<u>291,926</u>	<u>293,872</u>
Net Assets Per Share (RM) Attributable to Owners of the Company	1.13	1.09

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<--Non Distributable-->	<--Distributable-->		
	Share Capital	Exchange Translation Reserve	Retained Earnings	Total
6 months ended 30 June 2019	RM'000	RM'000	RM'000	RM'000
As at 1 January 2019 as previously reported	130,154	189	105,855	236,198
Effect of adopting MFRS 16	-	-	(5)	(5)
As at 1 January 2019	130,154	189	105,850	236,193
Foreign currency translation differences	-	(5)	-	(5)
Profit For the Financial Period	-	-	17,017	17,017
As at 30 June 2019	130,154	184	122,867	253,205
6 months ended 30 June 2020	RM'000	RM'000	RM'000	RM'000
As at 1 January 2020	130,154	189	118,700	249,043
Foreign currency translation differences	-	6	-	6
Profit For the Financial Period	-	-	8,646	8,646
As at 30 June 2020	130,154	195	127,346	257,695

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE 6 MONTHS ENDED 30 JUNE 2020
(These figures have not been audited)

	Cumulative Current Year To Date 30.06.2020 RM'000	Cumulative Preceding Year To Date 30.06.2019 RM'000
Cash Flows From Operating Activities		
Profit before taxation	11,607	22,189
Adjustments for:-		
Inventories written down	269	242
Reversal of inventories written down	-	(11)
Reversal of impairment loss on trade receivables	(468)	(579)
Impairment loss on trade receivables	11	-
Bad debts written off	407	-
Depreciation of property, plant and equipment	5,280	5,204
Amortisation of investment property	40	34
Amortisation of right-of-use assets	255	278
Unrealised loss on foreign exchange	252	154
Gain on disposal of property, plant & equipment	(199)	(129)
Property, plant and equipment written off	1	11
Interest expense	4	8
Interest income	(1,199)	(1,622)
Operating profit before working capital changes	<u>16,260</u>	<u>25,779</u>
Changes in working capital:		
(Increase) / Decrease in inventories	(7,478)	4,528
Decrease in receivables	14,795	1,760
Decrease in payables	(5,214)	(11,390)
	<u>2,103</u>	<u>(5,102)</u>
Cash generated from operations	<u>18,363</u>	<u>20,677</u>
Interest received	1,199	1,622
Interest paid	(4)	(8)
Tax refund	-	714
Tax paid	(5,425)	(4,193)
	<u>(4,230)</u>	<u>(1,865)</u>
Net Cash Generated From Operating Activities	<u>14,133</u>	<u>18,812</u>
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(18,436)	(1,793)
Proceed from disposal of property, plant and equipment	200	177
Increase in fixed deposits with maturity more than three months	(20,432)	(560)
Net Cash Used In Investing Activities	<u>(38,668)</u>	<u>(2,176)</u>
Cash Flows From Financing Activities		
Repayment of lease liabilities	(258)	(286)
Changes in fixed deposits pledged with licensed bank	4,629	-
Net Cash Generated From / (Used in) Financing Activities	<u>4,371</u>	<u>(286)</u>
Net Decrease in Cash And Cash Equivalents	(20,164)	16,350
Effect of Exchange Translation Differences on Cash and Cash Equivalents	(334)	107
Cash And Cash Equivalents At Beginning Of The Period	68,309	59,109
Cash And Cash Equivalents At End Of The Period *	<u>47,811</u>	<u>75,566</u>
* Cash & cash equivalents consists of:		
Fixed deposits with licensed banks	61,868	83,004
Cash and bank balances	18,766	21,430
	<u>80,634</u>	<u>104,434</u>
Less: Fixed deposits with maturity more than three months	(30,827)	(28,868)
Less: Fixed deposits pledged to licensed bank	(1,996)	-
	<u>47,811</u>	<u>75,566</u>

Part A: Explanatory Notes In Compliance With Malaysian Financial Reporting Standard (“MFRS”) 134: Interim Financial Reporting in Malaysia

A1. Accounting Policies and Basis Of Preparation

These condensed consolidated interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134: Interim Financial Reporting in Malaysia issued by the Malaysian Accounting Standards Board and with paragraph 9.22 and Appendix 9B of the of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). The interim financial statements should be read in conjunction with the Group’s audited financial statements for financial year ended 31 December 2019.

The audited financial statements of the Group for the financial year ended 31 December 2019 were prepared in accordance with MFRS.

There are no new MFRSs or interpretations that are effective for the first time in this quarter that would be expected to have a material effect of the Group.

The accounting policies and methods of computation adopted by the Group in these quarterly financial statements are consistent with those adopted in the most recent annual audited financial statements for the financial year ended 31 December 2019.

A2. Qualification of Financial Statements

The auditors’ report in respect of the audited financial statements for the financial year ended 31 December 2019 was not subjected to any qualification.

A3. Seasonal or Cyclical Factors

The Group’s business operation results for the current quarter under review were not materially affected by any seasonal or cyclical factors.

A4. Nature and Amount of Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current quarter under review.

A5. Nature and Amount of Changes in Estimates

There were no changes in the estimates of amounts reported that have a material effect in the current quarter.

COCOALAND HOLDINGS BERHAD (Registration No. 200001013413 (516019-H))Quarterly Unaudited Results Of The Group For The 2nd Quarter Ended 30 June 2020**A6. Dividend Paid**

There was no dividend paid during the quarter under review (2019: nil)

A7. Debt and Equity Securities

There were no issuance, cancellations, repurchases, resale and repayment of debt and equity securities during the current quarter.

A8. Segmental Reporting

Group – by business segment:-

The Group's segmental report for the current financial period ended 30 June 2020 is as below:-

Manufacturing	Trading	Investment Holding	Elimination	Total
RM'000	RM'000	RM'000	RM'000	RM'000

2nd quarter ended 30 June 2020

Revenue:

External	22,474	26,147	-	-	48,621
Inter-segment	17,126	699	-	(17,825)	-
Total revenue	39,600	26,846	-		48,621
Profit before tax	4,361	1,027	(172)	(80)	5,136

2nd quarter ended 30 June 2019

Revenue:

External	18,024	40,760	-	-	58,784
Inter-segment	27,197	1,177	-	(28,374)	-
Total revenue	45,221	41,937	-		58,784
Profit before tax	6,276	5,314	(240)	62	11,412

COCOALAND HOLDINGS BERHAD (Registration No. 200001013413 (516019-H))

Quarterly Unaudited Results Of The Group For The 2nd Quarter Ended 30 June 2020

	Manufacturing	Trading	Investment Holding	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Cumulative 2nd quarter ended 30 June 2020</u>					
Revenue:					
External	44,421	65,225	-	-	109,646
Inter-segment	40,332	1,382	-	(41,714)	-
Total revenue	84,753	66,607	-		109,646
Profit before tax	7,012	4,810	(355)	140	11,607

Cumulative 2nd quarter ended 30 June 2019

Revenue:					
External	34,923	89,430	-	-	124,353
Inter-segment	57,931	3,313	-	(61,244)	-
Total revenue	92,854	92,743	-		124,353
Profit before tax	10,271	11,853	(380)	445	22,189

Assets and liabilities as at 30 June 2020

Segment assets	176,322	158,441	142,331	(185,168)	291,926
Segment liabilities	115,010	68,953	774	(150,506)	34,231

Group – by geographical segment:-

In preparing information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment non-current assets are based on geographical location of the assets.

	Revenue		Non-current assets	
	for the period ended		as at	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RM'000	RM'000	RM'000	RM'000
Malaysia	48,417	54,847	110,147	101,973
Eastern Asia	30,302	34,994	42	44
South East Asia	16,708	18,157	-	13
Middle East	12,271	13,777	-	-
Others	1,948	2,578	-	-
	109,646	124,353	110,189	102,030

A9. Valuations of Property, Plant and Equipment

The property, plant and equipment except for freehold land are stated at cost/valuation less accumulated depreciation and impairment losses. There was no revaluation of property, plant and equipment for the current quarter and financial year to date.

The valuations of property, plant and equipment of the Group have been brought forward without amendments from the financial statements for the financial year ended 31 December 2019.

A10. Subsequent Events

There were no material events subsequent to the end of the current quarter under review that have not been reflected in the interim financial report.

A11. Changes in the Composition of the Group

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

A12. Contingent Liabilities or Contingent Assets

There were no material changes in contingent liabilities or contingent assets arising since the last audited consolidated statement of financial position as at 31 December 2019.

A13. Capital Commitments

Capital commitments of the Group in respect of property, plant and equipment as at 30 June 2020 are as follows:-

	RM'000
Property, plant and equipment :-	
- Approved and contracted for	5,901
- Authorized but not contracted for	5,238

A14. Significant Related Party Transactions

The Group has the following significant transactions with the related parties during the periods:-

	Current Year Quarter RM'000	Preceding Year Quarter RM'000
Prepare, package, pack and deliver Fraser and Neave Limited group of companies' products :-		
- Sales	1,937	2,176
- Purchase of ingredients*	1,030	975

** The purchase of ingredients are exclusively used for the preparing of the Fraser and Neave Limited group of companies products.*

The above transactions had been entered into in the ordinary course of business on normal commercial terms with Fraser and Neave Limited group of companies. These transactions are within the ambit of the mandate approved by the shareholders of the Company on 29 May 2019.

Part B: Additional Explanatory Notes In Compliance With Listing Requirements Of The Bursa Malaysia Securities Berhad

B1. Review of Performance

For the first six months ended 30 June 2020, the Group recorded lower revenue of RM109.6 million, a contraction of RM14.7 million or 11.8% if compared to RM124.3 million in the preceding year's corresponding period. The revenue in the current quarter was registered at RM48.6 million, a decline of 17.3% from RM58.8 million in the same corresponding quarter last year. The lower performance was primarily attributable to lower demand for own brand gummy from overseas market especially China, South Korea and Hong Kong.

China has undergone the lock down since 23 January 2020. The lock down has led to the softer consumers' consumption of confectionery products and caused ready-stock carried forward from Quarter 1 to Quarter 2 in the current year, this was similar to South Korea and Hong Kong as a result of the impact of Covid-19.

Nevertheless, the Contract Manufacturing Business performed well in functional and nutritional gummy such as Vitamin and DHA pastilles which it has partially offset the declining revenue of the Group's other confectionary products.

The Group recorded profit before taxation of RM11.6 million for the first six months ended 30 June 2020, this represents a decrease of 47.7% as compared to RM22.2 million achieved in the corresponding period of last year. The profit before taxation in the current quarter was declined by 55.0% or from RM11.4 million to RM 5.1 million achieved in the same corresponding quarter last year. The significant lower in profit before taxation was mainly attributable to decrease in revenue, lower margin sales mix, higher factory labour cost and bad debts written off.

The performance of the major operating business segments of the Group is summarized as follows:

Manufacturing segment

The functional and nutritional gummy has emerged as a trend during the pandemic of Covid-19. This has been reflected to the growing demand of gummy from Contract Manufacturing Business for the six months ended 30 June 2020. Albeit the rising demand of Contract Manufacturing Business, the manufacturing segment recorder lower profit due to weaker demand from other confectionary products and higher factory labour cost incurred.

Trading segment

Along with the travelling restriction in order to curb the spread of Covid-19 pandemic, it resulted lower demand from domestic and overseas markets and eventually affected the trading segment's pre-tax profit. The bad debts have emerged as numbers of local customers' business shut down during the Malaysia's Movement Control Order ("MCO") period.

B2. Comparison with Immediate Preceding Quarter's Results

	Current Year Quarter RM'000	Immediate Preceding Quarter RM'000	Difference %
Revenue	48,621	61,025	-20.3%
Gross Profit	11,568	12,729	-9.1%
Profit Before Tax	5,136	6,471	-20.6%
Profit After Tax	3,519	5,127	-31.4%
Profit Attributable to Owners of The Company	3,519	5,127	-31.4%

The Group recorded lower revenue of RM48.6 million for the current quarter, a contraction of 20.3% from the immediate preceding quarter. The festival effect emerged as Chinese New Year festive was situated at the end of January 2020 which contributed to higher revenue and profit of confectionery in the particular preceding quarter.

The Group's profit before tax showed a decrease of 20.6% over the immediate preceding quarter which was in line with lower revenue and higher factory labour cost and bad debts written off.

B3. Commentary On Prospects

On 10 June 2020, Malaysia transformed into the recovery stage of Covid-19 pandemic. The Group expects that the performance of second half of the year 2020 remained challenging due to deteriorated global economy condition. During this critical period, the Group will continue the innovative effort to introduce more new products to the market place and apply more prudent cost control measures to curb the adverse impact of the COVID-19 pandemic.

B4. Profit Forecast or Profit Guarantee

The Group did not issue any profit forecast or profit estimate previously in any public document.

COCOALAND HOLDINGS BERHAD (Registration No. 200001013413 (516019-H))Quarterly Unaudited Results Of The Group For The 2nd Quarter Ended 30 June 2020**B5. Income Tax**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>Current Year Quarter</u> RM'000	<u>Preceding Year Quarter</u> RM'000	<u>Current Year To Date</u> RM'000	<u>Preceding Year To Date</u> RM'000
Income tax:				
• Current period estimate	1,919	3,153	3,709	5,963
• Under/ (Over) provision in prior year	-	-	-	-
Deferred taxation:				
• Transferred from deferred taxation	(302)	(340)	(748)	(791)
	<u>1,617</u>	<u>2,813</u>	<u>2,961</u>	<u>5,172</u>

B6. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 20 August 2020 which is not earlier than 7 days from the date of issue of this quarterly report.

B7. Group Borrowings

The Group's borrowings (all denominated in Ringgit Malaysia) as at the end of the reporting quarter are as follows:-

	<u>As At</u> <u>30.06.2020</u> RM'000	<u>As At</u> <u>30.06.2019</u> RM'000
<u>Secured</u>		
Current Liabilities:		
Letter of credit	620	-

B8. Material Litigation

There was no material litigation at the date of this quarterly report.

B9. Dividend Payable

No interim dividend has been declared for the current quarter under review (30 June 2019: nil).

COCOALAND HOLDINGS BERHAD (Registration No. 200001013413 (516019-H))Quarterly Unaudited Results Of The Group For The 2nd Quarter Ended 30 June 2020**B10. Earnings per share**

The earnings per share for the quarter and cumulative year to date are computed as follows:

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>Current Year Quarter</u>	<u>Preceding Year Quarter</u>	<u>Current Year To Date</u>	<u>Preceding Year To Date</u>
Profit for the period (RM'000)	3,519	8,599	8,646	17,017
Weighted average number of ordinary shares of RM0.50 each ('000)	228,800	228,800	228,800	228,800
Basic earnings per share (sen)	1.54	3.76	3.78	7.44
Diluted earnings per share (sen) *	N.A.	N.A.	N.A	N.A

* *The Group has no potential ordinary shares in issue, therefore diluted earnings per share has not been presented.*

B11. Profit before tax is stated after charging/(crediting) :-

	Current Year Quarter RM'000	Preceding Year Quarter RM'000
Interest income	(536)	(880)
Interest expense	2	6
Inventories written down	242	195
Reversal of inventories written down	14	(8)
Depreciation of property, plant and equipment	2,233	2,611
Amortisation of investment property	24	17
Amortisation of right-of-use assets	131	139
Gain on disposal of property, plant and equipment	(1)	(129)
Property, plant and equipment written off	-	2
Net (gain) / loss on impairment of financial instruments		
- Impairment on trade receivables	-	46
- Reversal of impairment on trade receivables	(372)	-
Bad debt written off from trade receivables	407	-
(Gain)/ Loss on foreign exchange		
- realized	(1,845)	(646)
- unrealized	1,042	(73)

COCOALAND HOLDINGS BERHAD (Registration No. 200001013413 (516019-H))

Quarterly Unaudited Results Of The Group For The 2nd Quarter Ended 30 June 2020

By Order Of The Board

Tai Chun Wah

Executive Director

Dated: 27 August 2020