

COCOALAND HOLDINGS BERHAD (Co. No. 516019-H)

(Incorporated in Malaysia)

Financial Year End : 30 September 2017

Quarter : Third Quarter

Quarterly report on results for the 3rd quarter ended 30 September 2017. These figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Current Year Quarter 30.09.2017 RM'000	Preceding Year Quarter 30.09.2016 RM'000	% change	Current Year To Date 30.09.2017 RM'000	Preceding Year To Date 30.09.2016 RM'000	% change
Revenue	63,697	65,060	-2.1%	190,843	194,951	-2.1%
Cost Of Sales	(47,301)	(48,012)	-1.5%	(136,570)	(141,832)	-3.7%
Gross Profit	16,396	17,048	-3.8%	54,273	53,119	2.2%
Other Income	1,522	546	178.8%	4,573	5,737	-20.3%
Distribution Costs	(3,757)	(2,961)	26.9%	(11,129)	(10,685)	4.2%
Administrative Expenses	(4,973)	(3,250)	53.0%	(16,269)	(12,900)	26.1%
Profit Before Taxation	9,188	11,383	-19.3%	31,448	35,271	-10.8%
Taxation	(2,038)	(3,156)	-35.4%	(8,017)	(8,371)	-4.2%
Profit After Taxation	7,150	8,227	-13.1%	23,431	26,900	-12.9%
Other Comprehensive Income <i>Items that are or may be reclassified subsequently to profit or loss</i>						
- Exchange Translation Differences For Foreign Operations	-	(31)	-100.0%	(24)	103	-123.4%
Other Comprehensive Income For The Period	-	(31)	-100.0%	(24)	103	-123.4%
Total Comprehensive Income For The Period	7,150	8,196	-12.8%	23,407	27,003	-13.3%
Profit For The Period Attributable To: Owners Of The Company	7,150	8,227	-13.1%	23,431	26,900	-12.9%
Total Comprehensive Income Attributable To: Owners Of The Company	7,150	8,196	-12.8%	23,407	27,003	-13.3%
Earnings Per Share Basic And Diluted Earnings Per Share (Sen)	3.13	3.60	-13.1%	10.24	11.76	-12.9%

Notes :

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

COCOALAND HOLDINGS BERHAD (Co. No. 516019-H)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**AS OF 30 SEPTEMBER 2017**

(These figures have not been audited)

	As At End Of Current Quarter (Unaudited) 30.09.2017 RM'000	As At End of Financial Year (Audited) 31.12.2016 RM'000
ASSETS		
Non-Current Assets		
Property, Plant And Equipment	115,467	119,580
Other Investments	-	1
	<u>115,467</u>	<u>119,581</u>
Current Assets		
Inventories	39,882	44,557
Trade Receivables	40,314	55,580
Tax Recoverable	1,001	202
Other Receivables, Deposits & Prepayments	2,818	3,798
Fixed Deposits With Licensed Bank	48,960	49,051
Short Term Deposits	2,962	2,791
Cash & Bank Balances	26,596	13,602
	<u>162,533</u>	<u>169,581</u>
TOTAL ASSETS	<u>278,000</u>	<u>289,162</u>
EQUITY AND LIABILITIES		
Equity Attributable To Owners Of The Company		
Share Capital	130,154	114,400
Share Premium	-	15,754
Revenue Reserves	109,651	109,100
Exchange Translation Reserves	224	248
Total Equity	<u>240,029</u>	<u>239,502</u>
Non-Current Liability		
Deferred Tax Liability	<u>8,293</u>	<u>8,540</u>
	<u>8,293</u>	<u>8,540</u>
Current Liabilities		
Trade Payables	19,616	28,947
Other Payables & Accruals	8,683	9,111
Tax Payable	1,379	3,062
	<u>29,678</u>	<u>41,120</u>
TOTAL LIABILITIES	<u>37,971</u>	<u>49,660</u>
TOTAL EQUITY AND LIABILITIES	<u>278,000</u>	<u>289,162</u>
Net Assets Per Share (RM) Attributable to Owners of the Comp:	1.05	1.05

COCOALAND HOLDINGS BERHAD (Co. No. 516019-H)

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<---Non Distributable--->			<--Distributable-->	
	Share Capital	Share Premium	Exchange Translation Reserve	Retained Earnings	Total
9 months ended 30 September 2016	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2016	114,400	15,754	506	72,019	202,679
Foreign currency translation differences	-	-	103	-	103
Total comprehensive income	-	-	-	26,900	26,900
Interim single-tier dividend of 6% paid on 5 April 2016	-	-	-	(6,864)	(6,864)
As at 30 September 2016	114,400	15,754	609	92,055	222,818
9 months ended 30 September 2017	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2017	114,400	15,754	248	109,100	239,502
Foreign currency translation differences	-	-	(24)	-	(24)
Total comprehensive income	-	-	-	23,431	23,431
Interim single-tier dividend of 20% paid on 6 April 2017	-	-	-	(22,880)	(22,880)
Transition to no par value regime ⁽¹⁾	15,754	(15,754)	-	-	-
As at 30 September 2017	130,154	-	224	109,651	240,029

Note

⁽¹⁾ Effective from 31 January 2017, the new Companies Act 2016 abolished the concept of authorised share capital and par value of share capital. Consequently, the balance of share premium account is credited to share capital pursuant to the provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purposes as set out in Section 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

COCOALAND HOLDINGS BERHAD (Co. No. 516019-H)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2017
(These figures have not been audited)**

	Cumulative Current Year To Date 30.09.2017 RM'000	Cumulative Preceding Year To Date 30.09.2016 RM'000
Cash Flow From Operating Activities		
Profit Before Taxation	31,448	35,271
Adjustments for:-		
Write-down of inventory	22	-
Reversal of write-down of inventory	(395)	-
Reversal of impairment loss on trade receivables	(328)	(1,691)
Bad debt written off	112	-
Depreciation of property, plant and equipment	8,235	8,341
Unrealised gain on foreign exchange	(138)	(371)
Gain on disposal of property, plant & equipment	(163)	(69)
Property, plant and equipment written off	10	5
Dividend income	(1)	(1)
Interest income	(1,596)	(824)
Operating profit before working capital changes	<u>37,206</u>	<u>40,661</u>
Changes in working capital:		
Decrease/ (Increase) in inventories	<u>5,070</u>	<u>(5,239)</u>
Decrease in receivables	<u>16,272</u>	<u>1,829</u>
(Decrease) in payables	<u>(9,759)</u>	<u>(2,746)</u>
	<u>11,583</u>	<u>(6,156)</u>
Cash generated from operations	<u>48,789</u>	<u>34,505</u>
Interest received	<u>1,596</u>	<u>824</u>
Tax refund	<u>115</u>	<u>68</u>
Tax paid	<u>(10,867)</u>	<u>(7,610)</u>
Dividend paid	<u>(22,880)</u>	<u>(6,864)</u>
Dividend received	<u>1</u>	<u>1</u>
	<u>(32,035)</u>	<u>(13,581)</u>
Net Cash Generated From Operating Activities	<u>16,754</u>	<u>20,924</u>
Cash Flow From Investing Activities		
Purchase of property, plant and equipment	(4,140)	(2,662)
Proceed from disposal of property, plant and equipment	171	69
Proceed from disposal of investment	2	-
Net Cash Used In Investing Activities	<u>(3,967)</u>	<u>(2,593)</u>
Net Cash Generated From / (Used In) Financing Activities	<u>-</u>	<u>-</u>
Net Increase in Cash And Cash Equivalents	12,787	18,331
Effect of Exchange Translation Differences on Cash and Cash Equivalents	287	1
Cash And Cash Equivalents At Beginning Of The Period	65,444	40,421
Cash And Cash Equivalents At End Of The Period *	<u>78,518</u>	<u>58,753</u>
* Cash & cash equivalents consists of:		
Fixed deposits with licensed banks	48,960	209
Short term deposits with licensed banks	2,962	45,363
Cash and bank balances	26,596	13,181
	<u>78,518</u>	<u>58,753</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 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 year ended 31 December 2016.

The audited financial statements of the Group for the year ended 31 December 2016 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 year ended 31 December 2016.

A2. Qualification of Financial Statements

The audited report of the preceding annual financial statements was not subjected to any qualification.

A3. Seasonal or Cyclical Factors

The Group’s business operation results during 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 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 (Co. No. 516019-H)

Quarterly Unaudited Results Of The Group For The 3rd Quarter Ended 30 September 2017

A6. Dividend Paid**For the financial period ended 30 September 2017**

- (i) The first interim single-tier dividend of 20% or 10.00 sen per ordinary share, on 228,800,000 ordinary shares, amounting to RM22.880 million in respect of the financial year ended 31 December 2016, was paid on 6 April 2017.

For the financial period ended 30 September 2016

- (ii) The third interim single-tier dividend of 6.0% or 3.00 sen per ordinary share, on 228,800,000 ordinary shares, amounting to RM6.864 million in respect of the financial year ended 31 December 2015, was paid on 5 April 2016.

A7. Debt and Equity Securities

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

A8. Segmental Reporting

Group – by business segment :-

The Group's segmental report for the current financial period ended 30 September 2017 is as below:-

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

3rd quarter ended 30 September 2017

Revenue:

External	20,126	43,571	-	-	63,697
Inter-segment	27,234	188	-	(27,422)	-
Total revenue	47,360	43,759	-		63,697
Profit before tax	1,846	9,362	(181)	(1,839)	9,188

3rd quarter ended 30 September 2016

Revenue:

External	24,579	40,481	-	-	65,060
Inter-segment	27,060	953	-	(28,013)	-
Total revenue	51,639	41,434	-		65,060
Profit before tax	2,562	8,988	(198)	31	11,383

COCOALAND HOLDINGS BERHAD (Co. No. 516019-H)

Quarterly Unaudited Results Of The Group For The 3rd Quarter Ended 30 September 2017

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

Cumulative 3rd quarter ended 30 September 2017

Revenue:					
External	62,331	128,512	-	-	190,843
Inter-segment	80,211	746	20,000	(100,957)	-
Total revenue	142,542	129,258	20,000		190,843
Profit before tax	5,087	28,652	19,436	(21,727)	31,448

Cumulative 3rd quarter ended 30 September 2016

Revenue:					
External	69,825	125,126	-	-	194,951
Inter-segment	84,397	2,688	10,000	(97,085)	-
Total revenue	154,222	127,814	10,000		194,951
Profit before tax	9,809	26,172	9,440	(10,150)	35,271

Assets and liabilities as at 30 September 2017

Segment assets	201,086	157,818	176,935	(257,839)	278,000
Segment liabilities	173,340	43,883	38,420	(217,672)	37,971

Group – by geographical segments

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 financial year ended		as at	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	RM'000	RM'000	RM'000	RM'000
Malaysia	87,172	91,517	115,428	122,161
Eastern Asia	50,570	48,453	32	32
South East Asia	28,153	28,087	7	3
Middle East	19,511	21,099	-	-
Others	5,437	5,795	-	-
	190,843	194,951	115,467	122,196

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 valuation of property, plant and equipment of the Group have been brought forward without amendment from the financial statements for the year ended 31 December 2016.

A10. Subsequent Events

There were no material events subsequent to the reporting period up to 20 November 2017 (latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report) which have not been reflected in the financial statement for the quarter under review except the following matter:

On 3rd November 2017, the Company held an Extraordinary General Meeting to pass the ordinary resolution for proposed share buy-back of up to 10% of its own issued share capital. The resolution was duly passed by poll with 95.3% voted in favor of the proposal.

The announcement for the poll result was made on the same day.

A11. Changes in the Composition of the Group

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

A12. Contingent Liabilities or Contingent Assets

There were no changes in other contingent assets since the last annual statement of financial position as at 31 December 2016. However, there were changes in contingent liabilities due to the following matter:

Cocoaland Industry Sdn Bhd ("CISB") a wholly-owned subsidiary of the Company has been served with a letter from Inland Revenue Board ("IRB") dated on 19th October 2017 pertaining to the initial tax audit findings for years of assessment 2010 to 2014 showing an additional income tax RM4,059,479.73 and 45% penalty of RM1,826,765.88 totaling RM5,886,245.61.

The above mentioned additional income tax and penalty imposed by the IRB is mainly due to the reinvestment allowance claimed on certain plant and machinery that was disallowed on the basis that the capital expenditure incurred did not qualify and meet the requirements stated in Paragraph 8 of Schedule 7A to the Income Tax Act 1967.

CISB has engaged with tax consultant on the basis of the tax audit findings raised by the IRB and will appeal accordingly.

COCOALAND HOLDINGS BERHAD (Co. No. 516019-H)

Quarterly Unaudited Results Of The Group For The 3rd Quarter Ended 30 September 2017

A13. Capital Commitments

The outstanding amount of capital commitments as at 30 September 2017 are as follows:-

	RM'000
Property, plant and equipment :- - Approved and contracted for	1,418

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	4,285	4,461
- Purchase of ingredients*	2,671	3,043

** 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 30 May 2017.

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

B1. Review of Performance

The Group registered lower revenue of RM 190.8 million for the first 9 months under review, a decrease of RM 4.1 million as compared to RM 194.9 million in the preceding year's corresponding period. This was mainly attributable to decline in demand for beverage and hard candy products of its Contract Manufacturing Business. However, the increase in demand of gummy and chocolate products have partially offset the Group's declining revenue.

The Group recorded pre-tax profit of RM 31.4 million for the first 9 months ended 30 September 2017 was 10.8% lower than the last year of RM 35.2 million. The lower result were mainly contributed by higher impairment on trade receivables, foreign currencies exchange losses and transportation cost.

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

Manufacturing segment

Declining revenue in the manufacturing segment was principally due to lower demand from Contract Manufacturing Business of beverage and hard candy products. Lower pre-tax profit as compared to the preceding year's corresponding quarter were attributable to higher sugar and packaging material costs, increase in factory labour cost also served as another contributing factor.

Trading segment

Trading segment's improved revenue was mainly attributable to higher sales growth for gummy and chocolate products in Vietnam, South Korea and China markets which it assisted to ease the decline in domestic sales. The increase in pre-tax profit were predominantly contributed by higher product profit margin sales mix and fixed deposit interest earned from a local bank.

COCOALAND HOLDINGS BERHAD (Co. No. 516019-H)Quarterly Unaudited Results Of The Group For The 3rd Quarter Ended 30 September 2017

B2. Comparison with Immediate Preceding Quarter's Results

	Current Year Quarter RM'000	Immediate Preceding Quarter RM'000	Difference %
Revenue	63,697	63,412	+0.45%
Gross Profit	16,396	18,069	-9.26%
Profit Before Taxation	9,188	10,251	-10.37%
Profit After Tax	7,150	7,293	-1.96%
Profit Attributable to Ordinary Equity Holders of the Parent holders Of the parent	7,150	7,293	-1.96%

The Group registered a marginally higher revenue of RM63.7 million for the current quarter, an increase of 0.45% over the immediate preceding quarter. This was principally attributable to higher export sales contribution from gummy products in China and South Korea markets.

Pre-tax profit of the current quarter declined by 10.37% as compared to the immediate preceding quarter was attributable to aggressive product exhibition and promotion expenses incurred in TV commercialization at Vietnam and local market. Despite of it, the rise in material costs were also another contributing factor.

B3. Commentary On Prospects

The Group continues to take cautious outlook in year of 2017. Local market condition was unfavorably affected by higher cost of living due to escalating oil price. Furthermore, rise in material prices will be expected to continue for the remainder of year 2017. On the other hand, the business outlook in overseas is expected to remain viable but the management remains cautious about the state of customers' sentiment and competitive challenge.

Notwithstanding, the Group will align its strategies to be responsive to changes in the external environment through improving operational efficiency, and exploring new market.

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 (Co. No. 516019-H)

Quarterly Unaudited Results Of The Group For The 3rd Quarter Ended 30 September 2017

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	2,343	2,803	8,409	8,445
• Prior year	(145)	(16)	(145)	(16)
Deferred taxation:				
• Transferred to/(from) deferred taxation	(160)	369	(247)	(58)
	2,038	3,156	8,017	8,371

B6. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 20 November 2017 which is not earlier than 7 days form 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>30.9.2017</u> RM'000	<u>As At</u> <u>30.9.2016</u> RM'000
TOTAL BORROWING	-	-

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 September 2016: nil).

COCOALAND HOLDINGS BERHAD (Co. No. 516019-H)

Quarterly Unaudited Results Of The Group For The 3rd Quarter Ended 30 September 2017

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)	7,150	8,227	23,431	26,900
Weighted average number of ordinary shares of RM0.50 each ('000)	228,800	228,800	228,800	228,800
Basic earnings per share (sen)	3.13	3.60	10.24	11.76
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. Supplementary Information on the breakdown of realised and unrealised profits or losses

The following analysis of realized and unrealized retained profits is prepared pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Securities Berhad Listing Requirements and in accordance with the Guidance on Special Matter No.1 – Determination of Realised and Unrealised Profits or Losses as issued by the Malaysian Institute of Accountants. This disclosure is based on the format prescribed by Bursa Malaysia Securities Berhad.

	As at 30.9.2017 RM'000	As at 31.12.2016 RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	147,012	148,048
- Unrealised	(8,431)	(9,745)
Less: Consolidation adjustments	(28,930)	(29,203)
Retained profit as per financial statements	109,651	109,100

COCOALAND HOLDINGS BERHAD (Co. No. 516019-H)

Quarterly Unaudited Results Of The Group For The 3rd Quarter Ended 30 September 2017

B12. Profit before tax is stated after charging/(crediting) :-

	Current Year Quarter RM'000	Preceding Year Quarter RM'000
Interest income	(618)	(316)
Depreciation of property, plant and equipment	2,837	3,133
Gain on disposal of property, plant and equipment	(109)	(13)
Property, plant and equipment written off	7	5
(Reversal of)/Impairment loss on trade receivables	(101)	94
Loss/(gain) on foreign exchange		
- realized	(231)	(1,024)
- unrealized	123	(499)

By Order Of The Board

Tai Chun Wah

Executive Director

Dated: 27 November 2017