



KIM TECK CHEONG CONSOLIDATED BERHAD

(Company No. 1113927-H)
(Incorporated in Malaysia under the Companies Act, 1965)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 30 JUNE 2019 UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Quarter ended		Year to date ended	
	30-Jun-19 RM'000	30-Jun-18 RM'000	30-Jun-19 RM'000	30-Jun-18 RM'000 (Audited)
Continuing operations				
Revenue	165,537	136,391	625,358	459,221
Cost of sales	(145,176)	(117,460)	(547,239)	(405,206)
Gross profit	<u>20,361</u>	<u>18,931</u>	<u>78,119</u>	<u>54,015</u>
Other income	(409)	748	3,252	7,946
Administrative expenses	(6,053)	(2,975)	(19,734)	(16,271)
Selling and distribution expenses	(8,234)	(7,668)	(32,847)	(30,532)
Other expenses	(469)	(1,544)	(3,199)	(12,567)
Operating profit	5,196	7,492	25,591	2,591
Finance costs	(2,132)	(2,097)	(8,689)	(7,886)
Profit/(Loss) before tax	<u>3,064</u>	<u>5,395</u>	<u>16,902</u>	<u>(5,295)</u>
Tax expense	497	(1,007)	(3,620)	(1,498)
Profit/(Loss) for the period/ year	<u>3,561</u>	<u>4,388</u>	<u>13,282</u>	<u>(6,793)</u>
Other comprehensive (loss)/ income, net of tax				
Exchange difference on translation of foreign operation	-	(372)	(48)	(365)
Revaluation surplus, net of deferred tax	-	-	18,708	-
Total comprehensive income/(loss) for the period /year	<u>3,561</u>	<u>4,016</u>	<u>31,942</u>	<u>(7,158)</u>
Profit/(Loss) attributable to:				
Owners of the Company	3,382	3,633	12,386	(8,128)
Non-controlling interests	179	755	896	1,335
	<u>3,561</u>	<u>4,388</u>	<u>13,282</u>	<u>(6,793)</u>
Total comprehensive income/(loss) attributable to:				
Owners of the Company	3,105	3,261	31,065	(8,347)
Non-controlling interests	456	755	877	1,189
	<u>3,561</u>	<u>4,016</u>	<u>31,942</u>	<u>(7,158)</u>
Earnings/(Loss) per share attributable to equity holders of the parent:				
Basic (sen)	<u>0.66</u>	<u>0.71</u>	<u>2.43</u>	<u>(1.59)</u>
Diluted (sen)	<u>0.50</u>	<u>0.54</u>	<u>1.85</u>	<u>(1.21)</u>

Note:

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements of Kim Teck Cheong Consolidated Berhad ("KTC Consolidated" or the "Company") and its subsidiaries ("KTC Group" or the "Group") for the financial year ended ("FYE") 30 June 2018 and the accompanying explanatory notes attached to this interim financial report.



KIM TECK CHEONG CONSOLIDATED BERHAD

(Company No. 1113927-H)
(Incorporated in Malaysia under the Companies Act, 1965)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 30 JUNE 2019 UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30-Jun-19 RM'000 (Unaudited)	As at 30-Jun-18 RM'000 (Audited) (Restated)
ASSETS		
Non-current assets		
Property, plant and equipment	95,450	71,836
Goodwill on consolidation	5,981	5,981
Other intangible asset	40	79
Total non-current assets	101,471	77,896
Current assets		
Inventories	111,276	103,121
Trade and other receivables	130,683	123,344
Tax assets	11	1,628
Cash and bank balances	11,269	6,792
Total current assets	253,239	234,885
TOTAL ASSETS	354,710	312,781
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	99,360	99,360
Other reserve	27,569	8,890
Reorganisation deficit	(47,962)	(47,962)
Retained earnings	28,914	15,967
	107,881	76,255
Non-controlling interests	3,769	4,128
TOTAL EQUITY	111,650	80,383
Non-current liabilities		
Loans and borrowings	19,751	20,419
Deferred tax liabilities	11,408	5,184
Total non-current liabilities	31,159	25,603
Current liabilities		
Trade and other payables	29,368	34,862
Loans and borrowings	182,533	171,110
Income tax liabilities	-	823
Total current liabilities	211,901	206,795
TOTAL LIABILITIES	243,060	232,398
TOTAL EQUITY AND LIABILITIES	354,710	312,781
Net Asset per share (in RM)	0.21	0.15

Note:

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Group for the FYE 30 June 2018 and the accompanying explanatory notes attached to this interim financial report.



KIM TECK CHEONG CONSOLIDATED BERHAD

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 30 JUNE 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to owners of the Company →							
	Share capital	Revaluation reserve	Exchange reserve	Reorganisation deficit	Retained earnings	Total	Non-controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As At 1 July 2018	99,360	9,190	(300)	(47,962)	21,492	81,780	4,328	86,108
Effect on adoption of MFRS 9	-	-	-	-	(5,525)	(5,525)	(200)	(5,725)
Restated As At 1 July 2018	99,360	9,190	(300)	(47,962)	15,967	76,255	4,128	80,383
Exchange difference on translation of foreign operation	-	-	(29)	-	-	(29)	(19)	(48)
Profit for the financial year	-	-	-	-	12,386	12,386	896	13,282
Revaluation surplus, net of deferred tax	-	18,708	-	-	-	18,708	-	18,708
Increase in stake of a subsidiary	-	-	-	-	561	561	(1,236)	(675)
As At 30 June 2019	99,360	27,898	(329)	(47,962)	28,914	107,881	3,769	111,650
As At 1 July 2017	99,360	9,313	(81)	(47,962)	29,497	90,127	3,139	93,266
Exchange difference on translation of foreign operation	-	-	(219)	-	-	(219)	(146)	(365)
Loss for the financial year	-	-	-	-	(8,128)	(8,128)	1,335	(6,793)
Realisation of revaluation reserve	-	(123)	-	-	123	-	-	-
As At 30 June 2018	99,360	9,190	(300)	(47,962)	21,492	81,780	4,328	86,108
Effect on adoption of MFRS 9	-	-	-	-	(5,525)	(5,525)	(200)	(5,725)
Restated As At 30 June 2018	99,360	9,190	(300)	(47,962)	15,967	76,255	4,128	80,383

Note:

The unaudited condensed consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Group for the FYE 30 June 2018 and the accompanying explanatory notes attached to this interim financial report.



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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 30 JUNE 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year To Date Ended	
	30-Jun-19	30-Jun-18
	RM'000	RM'000
		Audited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	16,902	(5,295)
Adjustments for:		
Depreciation of property, plant and equipment	3,666	4,476
Amortisation of intangible asset	39	79
Bad debt written off	472	150
Interest expense	8,289	7,886
Interest income	(229)	(239)
Gain on disposal of property, plant and equipment	-	(61)
Other receivables written off	-	8,858
Inventories written off	2,496	2,661
Prepayments written off	-	384
Property, plant and equipment written off	-	55
Impairment loss on trade receivables	-	44
Reversal of impairment loss on trade receivables	(2,775)	(158)
Waiver of payables	-	(1,429)
Operating profit before working capital changes	<u>28,860</u>	<u>17,411</u>
Inventories	(11,445)	(26,137)
Trade and other receivables	(1,807)	(23,463)
Trade and other payables	<u>(5,901)</u>	<u>10,285</u>
Net cash generated from/ (used in) operations	9,707	(21,904)
Interest paid	(2,394)	(2,806)
Interest received	229	239
Tax paid	(1,070)	(792)
Tax refunded	276	-
Net cash generated from/(used in) operating activities	<u>6,748</u>	<u>(25,263)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	-	258
Purchase of property, plant and equipment	<u>(3,282)</u>	<u>(3,472)</u>
Net cash used in investing activities	<u>(3,282)</u>	<u>(3,214)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(5,895)	(5,080)
Net drawdown of term loans	569	2,095
Net drawdown of bankers' acceptance	12,430	9,647
Net payment of finance lease liabilities	(1,609)	(2,327)
Net drawdown of trust receipts	1,477	14,876
Advances from directors	-	10
Net cash generated from financing activities	<u>6,972</u>	<u>19,221</u>
Net increase/(decrease) in cash and cash equivalents	10,438	(9,256)
Cash and cash equivalents brought forward	(33,244)	(23,885)
Effect of exchange rate changes	-	(103)
Cash and cash equivalents carried forward	<u>(22,806)</u>	<u>(33,244)</u>

Note:

The unaudited condensed consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements of the Group for the FYE 30 June 2018 and the accompanying explanatory notes attached to this interim financial report.



KIM TECK CHEONG CONSOLIDATED BERHAD

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 30 JUNE 2019

PART A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD NO. 134

A1. Basis of Preparation

The interim financial report of the Group is unaudited and has been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") 134 – Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"), International Accounting Standards ("IAS") 34: Interim Financial Reporting issued by the International Accounting Standards Board ("IASB"), Rule 9.22 and Appendix 9B of the ACE Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

These explanatory notes attached to the condensed consolidated 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 FYE 30 June 2018.

A2. Significant accounting policies

The significant accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the FYE 30 June 2018, except for the adoption of the following new/revised MFRSs:

Effective for financial periods beginning on or after 1 January 2018:

MFRS 9: Financial Instruments

MFRS 15: Revenue from Contracts with Customers

IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

The adoption of the above new/revised MFRSs has no material impacts on the amounts reported in the financial statements except the application of MFRS 9's impairment requirements at 1 July 2018 which results in an additional allowance for impairment as follows:

	RM'000
Loss allowance at 30 June 2018 under MFRS139	201
Additional impairment recognised at 1 July 2018 on:	
Trade and other receivables as at 30 June 2018	<u>5,725</u>
Loss allowance at 1 July 2018 under MFRS 9	<u>5,926</u>

A3. Audited Report Of Preceding Annual Financial Statements

The audited financial statements for the financial year ended 30 June 2018 was not subject to any qualification.

A4. Seasonal Or Cyclical Factors

The Group does not experience significant fluctuations in operations due to seasonal factors or cyclical factors during the current financial quarter and current year-to-date under review.

A5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income Or Cash Flows

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature in size or incidence during the current quarter under review.

A6. Material Changes In Estimates

There were no material changes in the estimates of amounts reported that have material effect on the results for the current quarter under review.

A7. Issuances, Cancellations, Repurchases, Resale And Repayments Of Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current quarter under review.

A8. Dividend Paid

There was no dividend paid during the current quarter under review.



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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 30 JUNE 2019

PART A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD NO. 134

A9. Segmental Reporting

a) Revenue by Business Activities:-

	Revenue Quarter Ended		Revenue Year To Date Ended	
	30-Jun-19 RM'000	30-Jun-18 RM'000	30-Jun-19 RM'000	30-Jun-18 RM'000
Distribution of consumer package goods	163,802	134,959	618,741	453,790
Manufacturing of bakery products	1,735	1,432	6,617	5,431
Total	165,537	136,391	625,358	459,221

b) Revenue by Geographical Market:-

	Revenue Quarter Ended		Revenue Year To Date Ended	
	30-Jun-19 RM'000	30-Jun-18 RM'000	30-Jun-19 RM'000	30-Jun-18 RM'000
Sabah	83,511	60,293	318,884	287,829
Sarawak	42,114	53,250	192,058	117,349
Labuan and others	39,912	22,848	114,416	54,043
Total	165,537	136,391	625,358	459,221

A10. Material Events Subsequent To The End Of The Quarter

There was no material event subsequent to the current quarter ended 30 June 2019.

A11. Changes In The Composition of The Group

The Group had on 14 February 2019 completed the acquisition of the remaining 10,000 ordinary shares or 20% shareholdings in Kim Teck Cheong (Sarawak) Sdn Bhd ("**KTC Sarawak**") for a total consideration of RM675,000.00 ("**Acquisition**"). Upon this Acquisition, KTC Sarawak has become a wholly-owned subsidiary of the Group.

A12. Contingent Liabilities and Contingent Assets

There were no material contingent liabilities, either secured or unsecured and contingent assets of the Group as at the end of the current quarter.

A13. Material Capital Commitments

There is no material capital commitments as at the end of the FYE 30 June 2019.

A14. Significant Related Party Transactions

There were no significant related party transactions during the current financial quarter and current year -to-date under review.



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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 30 JUNE 2019

PART B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B, PART A OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of Performance

	Quarter Ended		Changes		Year To Date Ended		Changes	
	30-Jun-19 RM'000	30-Jun-18 RM'000	RM'000	%	30-Jun-19 RM'000	30-Jun-18 RM'000	RM'000	%
Revenue	165,537	136,391	29,146	21%	625,358	459,221	166,137	36%
Profit/(Loss) before tax	3,064	5,395	(2,331)	-43%	16,902	(5,295)	22,197	419%

Comparison with preceding year's corresponding quarter

The Group's revenue for the current quarter ended 30 June 2019 ("**Q4 2019**") increased by approximately RM29.15 million or 21% to RM 165.54 million, from RM136.39 million for corresponding quarter ended 30 June 2018 ("**Q4 2018**"). The increase was mainly due to the following:-

(i) the increase in revenue contribution from our operations in Sabah from RM60.29 million (Q4 2018) to RM83.51 million (Q4 2019) mainly due to higher sales contributed from new agencies to the Group like L'Oreal Malaysia Sdn Bhd and Procter & Gamble (Malaysia) Sdn Bhd which only came into the Group's portfolio of agencies in late December 2018;

(ii) the increase in revenue contribution from our operations in Labuan and other markets from RM22.85 million (Q4 2018) to RM39.91 million (Q4 2019) was mainly due to higher sales contributed from Nestle (Malaysia) Berhad.

(iii) The Group recorded a decrease in profit before tax ("**PBT**") by 43% to RM3.06 million in Q4 2019 from a PBT of RM5.40 million in Q4 2018. The decrease was mainly due to higher rebate given to flush out slow moving inventories especially products that have not reached expiry dates and also to liquidate the inventories to purchase more fresh inventories.



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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 30 JUNE 2019

PART B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B, PART A OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B2. Comparison with Immediate Preceding Quarter's Results

	Current Quarter	Immediate Preceding Quarter	Change
	30-Jun-19	31-Mar-19	RM'000
	RM'000	RM'000	
Revenue	165,537	155,729	9,808
Profit before tax	3,064	5,753	(2,689)

The Group's revenue has increased from RM155.73 million for the immediate preceding quarter ended 31 March 2019 to RM165.54 million for the current quarter. This was mainly attributable due to higher sales contribution from L'Oreal Malaysia Sdn Bhd, Procter & Gamble (Malaysia) Sdn. Bhd and Nestle (Malaysia) Berhad.

The Group's PBT decreased from RM5.75 million for the immediate preceding quarter ended 31 March 2019 to RM3.06 million for the current quarter. The decrease was mainly due to higher rebate given to flush out slow moving inventories especially products that have not reached expiry dates and also to liquidate the inventories to purchase more fresh stocks.

B3. Group's Prospects For Financial Year Ending 30 June 2020

The Group is optimistic of the distribution business segment and expect that it will be satisfactory and continue to be the major contributor in terms of revenue and profits to the Group.

The Group is striving to serve its existing customers better by maintaining a high service standards while offering innovative service offerings, and at the same time attracting new agencies to complement the Group's highly diversified agencies portfolio.

B4. Variance Of Profit Forecast

The Group did not issue any profit forecast for the current financial year.



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PART B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B, PART A OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B5. Income Tax Expense

The breakdown of income tax expense is as follows:-

	Current Quarter 30-Jun-19	Year to Date 30-Jun-19
	RM'000	RM'000
Current year tax expense	2,092	5,445
Over provision of tax expenses	(886)	(886)
Deferred tax expenses	(1,703)	(939)
	<u>(497)</u>	<u>3,620</u>

The Group's effective tax rate is lower than the statutory tax rate in Malaysia of 24% mainly due movement in deferred tax from the increase in allowance of impairment of trade receivables arising from effect on adoption of MFRS 9.

Income tax is calculated at the Malaysian statutory rate of 24% of the estimated assessable profit for the fiscal year.

B6. Profit for the Period

Profit for the period is arrived at after charging/(crediting):

	Quarter Ended		Year To Date Ended	
	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
	RM'000	RM'000	RM'000	RM'000
Interest income	(36)	(327)	(229)	(239)
Interest expenses	1,732	2,097	8,289	7,886
Depreciation and amortisation	1,183	790	3,705	4,555
Reversal of impairment loss on trade receivables	(1,511)	-	(2,775)	(158)
Inventories written off	593	853	2,496	2,661
Bad debts written off	22	-	472	150
Gain on disposal of property, plant and equipment	-	-	-	(61)
Other receivables written off	-	-	-	8,858
Property, plant and equipment written off	-	-	-	55
Waiver of payables	-	-	-	(1,429)
Impairment loss on trade receivables	-	-	-	44
Prepayments written off	-	-	-	384

B7. Group Borrowings and Debt Securities

The Group's borrowings as at 30 June 2019 are as follows:-

	Short Term	Long Term	Total
	RM'000	RM'000	RM'000
<u>Unsecured</u>			
Banker's acceptances	109,589	-	109,589
Trust receipts	18,432	-	18,432
Bank overdrafts	34,075	-	34,075
Revolving credit	18,000	-	18,000
	<u>180,096</u>	<u>-</u>	<u>180,096</u>
<u>Secured</u>			
Term loan	1,116	18,030	19,146
Finance lease liabilities	1,321	1,721	3,042
	<u>182,533</u>	<u>19,751</u>	<u>202,284</u>

All borrowings indicated above are denominated in Ringgit Malaysia.



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PART B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B, PART A OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B8. Material Litigation

The Group is not engaged in any material litigation either as plaintiff or defendant and the Directors do not have any knowledge of any proceedings pending or threatened against the Group as at the date of this report.

B9. Dividend Proposed

No dividend has been declared or proposed during the current quarter under review and for the current financial year-to-date.

B10. Earnings/(Loss) Per Share ("EPS")

The basic and diluted EPS for the current quarter and financial year-to-date are computed as follows:

	Current Quarter		Year to Date	
	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) attributable to ordinary equity owners of the Company	3,382	3,633	12,386	(8,128)
Weighted average number of ordinary shares for basic earnings/(loss) per share	510,277	510,277	510,277	510,277
Effect of dilution from:				
- redeemable convertible preference shares	160,012	160,012	160,012	160,012
	670,289	670,289	670,289	670,289
Basic EPS (sen)	0.66	0.71	2.43	(1.59)
Diluted EPS ⁽¹⁾ (sen)	0.50	0.54	1.85	(1.21)

Note:

(1) The diluted EPS is computed based on the profit attributable to the owners of the Company divided by the weighted average number of ordinary shares in issue and assume the full conversion of the redeemable convertible preference shares into 160,012,387 ordinary shares in the Company.



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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 30 JUNE 2019

PART B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B, PART A OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B11. Status of Corporate Proposals

There is no corporate proposal announced but not completed as at the date of this report.

B12. Utilisation of proceeds from the IPO

The gross proceeds from the IPO amounting to RM21.30 million has been fully utilised. Details of the utilisation of proceeds are set out in the Company's announcement for its interim financial report for the first quarter ended 30 September 2018 made on 29 November 2018.