



**KIM TECK CHEONG CONSOLIDATED BERHAD**  
(Company No. 1113927-H)  
(Incorporated in Malaysia under the Companies Act, 1965)

**INTERIM FINANCIAL REPORT FOR THE FOURTH (4<sup>TH</sup>) QUARTER ENDED 30 JUNE 2020**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Quarter Ended		Year to Date Ended	
	30-Jun-2020 RM'000	30-Jun-2019 RM'000	30-Jun-2020 RM'000	30-Jun-2019 RM'000
Revenue	151,066	165,537	640,401	624,976
Cost of sales	(134,366)	(145,176)	(569,298)	(549,434)
<b>Gross profit</b>	<b>16,700</b>	<b>20,361</b>	<b>71,103</b>	<b>75,542</b>
Other income	608	(409)	1,945	8,391
Administrative expenses	(5,835)	(6,053)	(20,121)	(21,911)
Selling and distribution expenses	(7,648)	(8,234)	(32,441)	(32,573)
Other expenses	(2,560)	(469)	(4,082)	(3,819)
<b>Operating profit</b>	<b>1,265</b>	<b>5,196</b>	<b>16,404</b>	<b>25,630</b>
Finance costs	(1,892)	(2,132)	(9,297)	(10,950)
<b>Profit before tax</b>	<b>(627)</b>	<b>3,064</b>	<b>7,107</b>	<b>14,680</b>
Tax expense	(1,148)	497	(2,925)	(2,685)
<b>(Loss)/Profit for the financial period/ year</b>	<b>(1,775)</b>	<b>3,561</b>	<b>4,182</b>	<b>11,995</b>
<b>Other comprehensive profit, net of tax</b>				
Exchange difference on translation of a foreign operation	151	-	26	316
Revaluation surplus	-	-	-	18,708
<b>Total comprehensive (loss)/income for the financial period/year</b>	<b>(1,624)</b>	<b>3,561</b>	<b>4,208</b>	<b>31,019</b>
<b>(Loss)/Profit attributable to:</b>				
Owners of the Company	(1,866)	3,382	3,897	11,163
Non-controlling interests	91	179	285	832
	<b>(1,775)</b>	<b>3,561</b>	<b>4,182</b>	<b>11,995</b>
<b>Total comprehensive (loss)/income attributable to:</b>				
Owners of the Company	(1,776)	3,105	3,912	30,061
Non-controlling interests	152	456	296	958
	<b>(1,624)</b>	<b>3,561</b>	<b>4,208</b>	<b>31,019</b>



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)**

	Quarter Ended		Year to Date Ended	
	30-Jun-2020	30-Jun-2019	30-Jun-2020	30-Jun-2019
	RM	RM	RM	RM
<b>(Loss)/Earning per share attributable to equity holders of the parent:</b>				
Basic (sen)	(0.32)	0.66	0.74	2.19
Diluted (sen)	(0.32)	0.50	0.74	1.67

**Note:**

The Unaudited Condensed Consolidated Statement of Profit or Loss and 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 2019 and the accompanying explanatory notes attached to this interim financial report.



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**INTERIM FINANCIAL REPORT FOR THE FOURTH (4<sup>TH</sup>) QUARTER ENDED 30 JUNE 2020**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	As at 30-Jun-2020 RM'000 Unaudited	As at 30-Jun-2019 RM'000 Audited
<b><u>ASSETS</u></b>		
<b>Non-current assets</b>		
Property, plant and equipment	92,576	95,683
Right-of-use assets	4,424	-
Goodwill on consolidation	5,981	5,981
<b>Total non-current assets</b>	<b>102,981</b>	<b>101,664</b>
<b>Current assets</b>		
Inventories	101,267	111,617
Trade and other receivables	134,588	142,108
Tax recoverable	1,160	902
Cash and bank balances	2,012	11,677
<b>Total current assets</b>	<b>239,027</b>	<b>266,304</b>
<b>TOTAL ASSETS</b>	<b>342,008</b>	<b>367,968</b>
<b><u>EQUITY AND LIABILITIES</u></b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	99,360	99,360
Other reserves	27,804	27,788
Reorganisation deficit	(47,962)	(47,962)
Retained earnings	31,172	27,686
	110,374	106,872
Non-controlling interests	4,150	3,854
<b>TOTAL EQUITY</b>	<b>114,524</b>	<b>110,726</b>
<b>Non-current liabilities</b>		
Loans and borrowings	18,338	19,889
Deferred tax liabilities	10,954	10,524
Lease liabilities	2,070	-
<b>Total non-current liabilities</b>	<b>31,362</b>	<b>30,413</b>



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**INTERIM FINANCIAL REPORT FOR THE FOURTH (4<sup>TH</sup>) QUARTER ENDED 30 JUNE 2020**

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)**

	<b>As at 30-Jun-2020 RM'000 Unaudited</b>	<b>As at 30-Jun-2019 RM'000 Audited</b>
<b>Current liabilities</b>		
Trade and other payables	41,334	41,999
Loans and borrowings	151,216	183,998
Lease liabilities	2,649	-
Taxation	923	832
<b>Total current liabilities</b>	<b>196,122</b>	<b>226,829</b>
<b>TOTAL LIABILITIES</b>	<b>227,484</b>	<b>257,242</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>342,008</b>	<b>367,968</b>
<b>Net asset per share (RM)</b>	<b>0.17</b>	<b>0.22</b>

**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 2019 and the accompanying explanatory notes attached to this interim financial report.



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**INTERIM FINANCIAL REPORT FOR THE FOURTH (4<sup>TH</sup>) QUARTER ENDED 30 JUNE 2020**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	← Attributable to owners of the Company →				Distributable Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Revaluation reserve RM'000	Exchange reserve RM'000	Reorganisation deficit RM'000				
<b>Balance at 1 July 2019, as previously reported</b>	99,360	27,898	(110)	(47,962)	27,686	106,872	3,854	110,726
Cumulative effect of initial application of MFRS 16	-	-	-	-	(411)	(411)	-	(411)
Restated balance at 1 July 2019	99,360	27,898	(110)	(47,962)	27,275	106,461	3,854	110,315
Profit for the financial year	-	-	-	-	3,897	3,897	286	4,183
Other comprehensive income - Foreign currency translation	-	-	16	-	-	16	10	26
Total comprehensive income for the financial year	-	-	16	-	3,897	3,913	296	4,209
<b>Balance at 30 June 2020</b>	99,360	27,898	(94)	(47,962)	31,172	110,374	4,150	114,524



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)**

	← Attributable to owners of the Company →				Distributable	Total	Non-controlling interests	Total equity
	← Non-distributable →			Retained earnings				
	Share capital	Revaluation reserve	Exchange reserve	Reorganisation deficit	RM'000	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Restated balance at 1 July 2018</b>	99,360	9,190	(300)	(47,962)	21,492	81,780	4,328	86,108
Effect on adoption of MFRS 9	-	-	-	-	(5,530)	(5,530)	(196)	(5,726)
<b>Restated as at 1 July 2018</b>	99,360	9,190	(300)	(47,962)	15,962	76,250	4,132	80,382
Profit for the financial year	-	-	-	-	11,163	11,163	832	11,995
Other comprehensive income								
- Foreign currency translation	-	-	190	-	-	190	126	316
- Revaluation surplus on leasehold land and buildings, net of deferred tax	-	18,708	-	-	-	18,708	-	18,708
Total comprehensive income for the financial year	-	18,708	190	-	11,163	30,061	958	31,019
Increase in stake of a subsidiary	-	-	-	-	561	561	(1,236)	(675)
<b>Balance at 30 June 2019</b>	99,360	27,898	(110)	(47,962)	27,686	106,872	3,854	110,726

**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 2019 and the accompanying explanatory notes attached to this interim financial report.



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**INTERIM FINANCIAL REPORT FOR THE FOURTH (4<sup>TH</sup>) QUARTER ENDED 30 JUNE 2020**

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	Year to Date Ended	
	30-Jun-2020 RM'000	30-Jun-2019 RM'000
<b>Cash Flows from operating activities</b>		
Profit before taxation	7,107	14,680
Adjustments for:		
Amortisation of intangible asset	-	79
Bad debts written off	631	876
Bad debts recovered	(1)	-
Depreciation of property, plant and equipment	6,178	4,148
Deposit written off	-	114
Loss on disposal of property, plant and equipment	7	-
Impairment on financial assets	-	(3,768)
Interest expenses	9,297	10,950
Interest income	(182)	(1,369)
Inventories written off	3,443	2,538
Impairment loss on trade receivables	622	-
Liabilities no longer in existence written back	-	(100)
Reversal of bad debts written off	-	(1)
Unrealised loss on foreign exchange	1,110	-
Trade deposits written back	-	(182)
<b>Operating profit before working capital changes</b>	<b>28,212</b>	<b>27,965</b>
Change in inventories	6,906	(10,491)
Change in receivables	5,158	(15,986)
Change in payables	(5,130)	7,467
<b>Cash generated from operating activities</b>	<b>35,146</b>	<b>8,955</b>
Income tax paid	(3,096)	(4,150)
Income tax refunded	435	1,632
Interests paid	(2,080)	(3,529)
Interests received	182	1,369
<b>Net cash generated from operating activities</b>	<b>30,587</b>	<b>4,277</b>



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)**

	Year to Date Ended	
	30-Jun-2020 RM'000	30-Jun-2019 RM'000
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(1,119)	(3,238)
Increase in stake in a subsidiary company	-	(675)
Proceeds from disposal of property, plant and equipment	29	-
<b>Net cash used in investing activities</b>	<b>(1,090)</b>	<b>(3,913)</b>
<b>Cash flows from financing activities</b>		
Repayments to directors	-	(22)
Advances from/(Repayments to) immediate holding company	4,466	(24)
Net (payments)/drawdown of banker's acceptances	(1,169)	16,279
Net (payments)/drawdown of term loans	(922)	569
Net payments of lease liabilities	(1,450)	-
Net payments of finance lease liabilities	(1,500)	(1,612)
Net (payments)/drawdown of trust receipts	(12,363)	1,585
Interests paid	(7,218)	(7,422)
<b>Net cash (used in)/generated from financing activities</b>	<b>(20,156)</b>	<b>9,353</b>
<b>Net increase in cash and cash equivalents</b>	<b>9,341</b>	<b>9,717</b>
Effect of exchange rate fluctuations	26	341
<b>Cash and cash equivalents at beginning of the financial year</b>	<b>(23,186)</b>	<b>(33,244)</b>
<b>Cash and cash equivalents at end of the financial year</b>	<b>(13,819)</b>	<b>(23,186)</b>

**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 2019 and the accompanying explanatory notes attached to this interim financial report.





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**INTERIM FINANCIAL REPORT FOR THE FOURTH (4<sup>TH</sup>) QUARTER ENDED 30 JUNE 2020**

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**NOTES TO THE INTERIM FINANCIAL REPORT**

**A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH (4<sup>TH</sup>) QUARTER ENDED 30 JUNE 2020**

**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 2019.

**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 2019, except for the adoption of the following new/revised MFRSs:

**MFRS 16 Leases**

Under MFRS 16 a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under MFRS 117 would typically have had straight-line expenses) as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the reporting period.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

As with MFRS 16’s predecessor, MFRS 117, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease.

For finance leases a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.



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**NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)**

**A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH (4<sup>TH</sup>) QUARTER ENDED 30 JUNE 2020 (CONT'D)**

**A2. Significant accounting policies (Cont'd)**

**MFRS 16 Leases (Cont'd)**

Recognition exemptions: Instead of applying the recognition requirements of MFRS 16 described above, a lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term or another systematic basis for the following two (2) types of leases:

- leases with a lease term of twelve (12) months or less and containing no purchase options – this election is made by class of underlying asset; and
- leases where the underlying asset has a low value when new (such as personal computers or small items of office furniture) – this election can be made on a lease-by-lease basis.

The Group applied the modified retrospective approach, whereby the cumulative effect of initial application of MFRS 16 is adjusted to the opening balance of retained earnings at the date of initial application.

The Group had assessed the financial impact on the Group's financial statements upon adoption of MFRS 16 which have been summarised in the table below.

**Financial impact**

The financial impact from initial adoption of MFRS 16 as at 1 July 2019 are as follows:

	<b>As previously Stated RM'000</b>	<b>Effect of Adoption of MFRS 16 RM'000</b>	<b>As restated RM'000</b>
<b>Increase / (decrease):</b>			
<b><u>NON-CURRENT ASSETS</u></b>			
Right-of-use assets	-	4,015	4,015
<b><u>EQUITY</u></b>			
Retained earnings	27,686	(336)	27,350
<b><u>NON-CURRENT LIABILITIES</u></b>			
Lease liabilities	-	3,478	3,478
<b><u>CURRENT LIABILITIES</u></b>			
Lease liabilities	-	873	873



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**NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)**

**A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH (4<sup>TH</sup>) QUARTER ENDED 30 JUNE 2020 (CONT'D)**

**A2. Significant accounting policies (Cont'd)**

**Standards issued but not yet effective**

The Group has not adopted the following new standards and amendments to standards that have been issued by the Malaysian Accounting Standard Board which are not yet effective for the Group. The Group intends to adopt the below mentioned new standards and amendments to standards when they become effective.

		<b>Effective date for financial periods beginning on or after</b>
Amendments to MFRS 3	Business Combinations – Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	Deferred
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 101	Presentation of Financial Statements – Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018 – 2020:		
• Amendments to MFRS 1		
• Amendments to MFRS 9		
• Amendments to MFRS 16		
• Amendments to MFRS 141		

The adoption of the abovementioned new standards and amendments to standards when they become effective are not expected to have significant impact on the financial statements of the Group.

**A3. Audited Report of Preceding Annual Financial Statements**

The audited financial statements for the financial year ended 30 June 2019 was not subject to any qualification.



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**NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)**

**A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH (4<sup>TH</sup>) QUARTER ENDED 30 JUNE 2020 (CONT'D)**

**A4. Seasonal or Cyclical Factors**

The Group does not experience significant fluctuation in operations due to seasonal factors during the current financial quarter and current year-do-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 financial 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 financial 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 financial quarter under review.

**A8. Dividend Paid**

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

**A9. Segmental Reporting**

**a) Revenue by Business Activities:-**

	Quarter Ended		Year to Date Ended	
	30-Jun-2020 RM'000	30-Jun-2019 RM'000	30-Jun-2020 RM'000	30-Jun-2019 RM'000
Distribution of consumer package goods	148,425	163,802	631,655	618,359
Manufacturing of bakery products	2,641	1,735	8,746	6,617
	<u>151,066</u>	<u>165,537</u>	<u>640,401</u>	<u>624,976</u>



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**NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)**

**A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH (4<sup>TH</sup>) QUARTER ENDED 30 JUNE 2020 (CONT'D)**

**A9. Segmental Reporting (Cont'd)**

**b) Revenue by Geographical Market:-**

	Quarter Ended		Year to Date Ended	
	30-Jun-2020 RM'000	30-Jun-2019 RM'000	30-Jun-2020 RM'000	30-Jun-2019 RM'000
Sabah	83,896	83,511	337,923	318,328
Sarawak	41,674	42,114	201,376	190,984
Labuan and others	25,496	39,912	101,102	115,664
	<u>151,066</u>	<u>165,537</u>	<u>640,401</u>	<u>624,976</u>

**A10. Material Events Subsequent to The End of The Quarter**

There was no material event subsequent to the end of the current financial quarter under review.

**A11. Changes in The Composition of The Group**

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

**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 financial quarter under review.

**A13. Material Capital Commitments**

The is no material capital commitments as at the end of the current financial quarter under review.

**A14. Significant Related Party Transactions**

There were no significant related party transactions during the current financial quarter under review.



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**NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)**

**A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH (4<sup>TH</sup>) QUARTER ENDED 30 JUNE 2020 (CONT'D)**

**A15. Valuation of Property, Plant and Equipment**

The Group has not carried out any valuation on its property, plant and equipment in the current financial quarter under review.

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

**B1. Review of Performance**

	Quarter Ended		Variance		Year to Date Ended	
	30-Jun-2020	30-Jun-2019	RM'000	%	30-Jun-2020	30-Jun-2019
	RM'000	RM'000	RM'000	%	RM'000	RM'000
Revenue	151,066	165,537	(14,471)	-8.74%	640,401	624,976
(Loss)/Profit before tax	(627)	3,064	(3,691)	-120.46%	7,107	14,680

**Comparison with preceding year's corresponding quarter**

The Group recorded a decrease of revenue by RM14.47 million or 8.74% to RM151.07 million as compared to RM165.54 million in financial quarter ended 30 June 2019. The decrease was mainly due to the reduction in demand of personal care products, cosmetics products and alcoholic beverage during this financial quarter as a result of the Movement Control Order ("MCO") implemented by the Malaysian Government during this financial quarter.

The Group recorded loss before tax of RM0.63 million for the current financial quarter as compared to the profit before tax of RM3.06 million in the financial quarter ended 30 June 2019.

The loss before tax was mainly due to lower profit margin earned from promotional products sold during this financial quarter. The said loss was also attributed by the inventories written off for terminated agencies and stocks lost of RM2.00 million as well as impairment loss on trade receivables and also bad debt written off of RM0.56 million. The management continue to put effort in improving the collections of the Group and recover the bad debt written off incurred in this current quarter.



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**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)**

**B2. Comparison with Immediate Preceding Quarter's Result**

	<b>Current Quarter 30-Jun-2020</b>	<b>Immediate Preceding Quarter 31-Mar-2020</b>	<b>Variance</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>%</b>
Revenue	151,066	160,830	(9,764)	-6.07%
(Loss)/Profit before tax	(627)	2,171	(2,798)	-128.88%

The Group's revenue for the current financial quarter ended 30 June 2020 decreased by RM9.76 million or 6.07% to RM151.07 million as compared to RM160.83 million in the preceding financial quarter ended 31 March 2020 and the Group's loss before tax for the current financial quarter of RM0.63 million represented a decrease in profit before tax of RM2.80 million or 128.88% as compared to RM2.17 million in the preceding financial quarter.

The decrease was mainly due to lower profit earned from promotional products sold during this current quarter. The said loss was also attributed by the inventories written off for terminated agencies and stocks lost of RM2.00 million as well as impairment loss on trade receivables and also bad debt written off of RM0.56 million.

**B3. Group's Prospects**

The recent outbreak of Covid-19 in worldwide has disrupted the supply chain, contributing to short-term market uncertainty and risk. The unprecedented risk from health and safety aspects from Covid-19 pandemic has caused adverse impact on the economic activities. The Covid-19 pandemic currently has yet to run its full course hence the current situation is still fluid. Therefore, the Group shall continuously assess the impact on Covid-19 and take the necessary actions to ensure the continuity of our Group's business activities and have safety and healthy workforce.



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**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)**

**B3. Group's Prospects (Cont'd)**

The current financial year has a number of crises unfolding around the world and downside risks on the economic side, locally and globally. In a year of high volatility and multiple elements of disruption, the Group is optimistic and continue with their business plans to embark on cost control measures in improving operational efficiency and put effort into continue serve its existing customers better by maintaining a high service standard while offering innovative service, and at the same time attracting new agencies to complement the Group's highly diversified agencies portfolio. The Group shall exercise caution and hope to achieve a satisfactory performance in this turbulent business environment.

**B4. Variance of Profit Forecast**

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

**B5. Income Tax Expense**

The breakdown of income tax expense is as follows:

	<b>Current Quarter 30-Jun-2020 RM'000</b>	<b>Year to Date Ended 30-Jun-2020 RM'000</b>
Current year tax expense	1,611	3,596
Overprovision of tax expenses in prior year	(463)	(470)
Deferred tax expenses	-	(201)
	<u>1,148</u>	<u>2,925</u>

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





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**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)**

**B6. Profit for the Period/Year**

	Quarter Ended		Year to Date Ended	
	30-Jun-2020 RM'000	30-Jun-2019 RM'000	30-Jun-2020 RM'000	30-Jun-2019 RM'000
Interest income	(46)	(36)	(182)	(1,369)
Interest expenses	1,892	1,732	9,297	10,950
Depreciation of property, plant and equipment	2,153	1,183	6,178	4,148
Amortisation on intangible asset	-	79	-	79
Auditors' remuneration				
- Statutory audit				
- Current period/year	71	127	233	217
- Under provision in prior year	-	47	-	47
- Other services	94	-	413	93
Reversal of impairment loss on trade receivables	-	(1,511)	-	-
Impairment loss on trade receivables	251	-	622	-
Realised loss on foreign exchange	84	-	736	420
Unrealised loss on foreign exchange	1,110	-	1,110	-
Deposit written off	-	-	-	114
Inventories written off	1,999	593	3,443	2,538
Bad debts written off	556	22	631	876
Bad debts recovered	-	-	(1)	-
Loss on disposal of property, plant and equipment	5	-	7	-
Rental (incomes)/expenses	(436)	337	(16)	395



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**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)**

**B7. Group Borrowings and Debt Securities**

The Group's borrowings as at 30 June 2020 are as follows:

	<b>Short Term RM'000</b>	<b>Long Term RM'000</b>	<b>Total RM'000</b>
<b><u>Unsecured</u></b>			
Bankers' acceptances	108,420	-	108,420
Trust receipts	20,758	-	20,758
Bank overdrafts	15,831	-	15,831
Revolving credit	4,000	-	4,000
	149,009	-	149,009
<b><u>Secured</u></b>			
Term loans	1,092	17,132	18,224
Finance lease liabilities	1,115	1,206	2,321
	151,216	18,338	169,554

All borrowings indicated above are denominated in Ringgit Malaysia.

**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 financial quarter under review and for the current financial year-to-date.



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**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)**

**B10. (Loss)/Earning Per Share (“LPS” / “EPS”)**

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

	Quarter Ended		Year to Date Ended	
	30-Jun-2020	30-Jun-2019	30-Jun-2020	30-Jun-2019
(Loss)/Profit attributable to ordinary equity owners of the Company (RM'000)	(1,866)	3,382	3,897	11,163
Weighted average number of ordinary shares for basic earnings per shares ('000)	584,129 <sup>(1)</sup>	510,277	528,689 <sup>(1)</sup>	510,277
Effect of dilution from:				
- redeemable convertible preference shares ('000)	-	160,012	-	160,012
	<u>584,129</u>	<u>670,289</u>	<u>528,689</u>	<u>670,289</u>
Basic (LPS)/EPS (sen)	-0.32 <sup>(2)</sup>	0.66	0.74 <sup>(2)</sup>	2.19
Diluted (LPS)/EPS (sen)	-0.32 <sup>(2)</sup>	0.50 <sup>(3)</sup>	0.74 <sup>(2)</sup>	1.67 <sup>(3)</sup>

**Note:**

- (1) The weighted average number of ordinary shares for basic earnings per share has taken into consideration of 160,012,387 preference shares converted into ordinary shares on 20 May 2020.
- (2) Diluted earnings per share of the Group for the current quarter and financial year to date ended 30 June 2020 is equivalent to the basic earning per share as the Group does not have convertible options as at the end of the reporting year.
- (3) The diluted EPS is computed based on the profit attributable to the owners of the Group 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 Group.

**B11. Status of Corporate Proposals**

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