



KIM TECK CHEONG CONSOLIDATED BERHAD

(Company No. 1113927-H)

(Incorporated in Malaysia under the Companies Act, 1965)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Quarter ended		Year to date ended	
	30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Revenue	153,790	106,555	153,790	106,555
Cost of sales	(135,676)	(94,340)	(135,676)	(94,340)
Gross Profit	18,114	12,215	18,114	12,215
Other income	74	565	74	565
Administrative expenses	(5,508)	(2,827)	(5,508)	(2,827)
Selling and distribution expenses	(6,659)	(7,326)	(6,659)	(7,326)
Other expenses	(396)	(320)	(396)	(320)
Operating profit	5,625	2,307	5,625	2,307
Finance costs	(1,959)	(1,947)	(1,959)	(1,947)
Profit before tax	3,666	360	3,666	360
Tax expense	(1,365)	(176)	(1,365)	(176)
Profit for the period	2,301	184	2,301	184
Other comprehensive income, net of tax				
Exchange difference on transaction of foreign operation	(50)	(3)	(50)	(3)
Total comprehensive income for the period	2,251	181	2,251	181
Total comprehensive income attributable to:				
Owners of the Company	2,105	122	2,105	122
Non-controlling interests	146	59	146	59
	2,251	181	2,251	181
Earnings per share attributable to equity holders of the parent:				
Basic (sen)	0.41	0.02	0.41	0.02
Diluted (sen)	0.31	0.02	0.31	0.02

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") ended 30 June 2018 and the accompanying explanatory notes attached to this interim financial report



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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30-Sep-18 RM'000 (Unaudited)	As at 30-Jun-18 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	73,185	71,836
Goodwill on consolidation	5,981	5,981
Other intangible asset	79	79
Total non-current assets	79,245	77,896
Current assets		
Inventories	94,886	103,121
Trade and other receivables	140,914	129,069
Tax assets	583	1,628
Cash and bank balances	9,241	6,792
Total current assets	245,624	240,610
TOTAL ASSETS	324,869	318,506
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	99,360	99,360
Other reserve	9,201	8,890
Reorganisation deficit	(47,962)	(47,962)
Retained earnings	23,286	21,492
	83,885	81,780
Non-controlling interests	4,474	4,328
TOTAL EQUITY	88,359	86,108
Non-current liabilities		
Loans and borrowings	18,434	20,419
Deferred tax liabilities	5,947	5,184
Total non-current liabilities	24,381	25,603
Current liabilities		
Trade and other payables	32,858	34,862
Loans and borrowings	178,979	171,110
Income tax liabilities	292	823
Total current liabilities	212,129	206,795
TOTAL LIABILITIES	236,510	232,398
TOTAL EQUITY AND LIABILITIES	324,869	318,506
Net Asset per share (in RM)	0.16	0.16

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.



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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share Capital RM'000	Revaluation reserve RM'000	Exchange reserve RM'000	Reorganisation deficit RM'000	Retained Earnings RM'000	Total RM'000	Non- controlling Interests RM'000	Total Equity RM'000
As At 1 July 2018	99,360	9,190	(300)	(47,962)	21,492	81,780	4,328	86,108
Exchange difference on Transaction of foreign Operation	-	-	(50)	-	-	(50)	-	(50)
Realisation of revaluation reserve	-	361	-	-	(361)	-	-	-
Profit for the period	-	-	-	-	2,155	2,155	146	2,301
As At 30 September 2018	99,360	9,551	(350)	(47,962)	23,286	83,885	4,474	88,359
As At 1 July 2017	99,360	9,313	(81)	(47,962)	29,497	90,127	3,139	93,266
Exchange difference on Transaction 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

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



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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Year To Date Ended	
	30-Sep-18	30-Jun-18
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	3,666	(5,295)
Adjustments for:		
Depreciation of property, plant and equipment	1,201	4,476
Amortisation of intangible asset	-	79
Bad debt written off	-	149
Interest expense	1,959	7,885
Interest income	(70)	(238)
Gain on disposal of property, plant and equipment	-	(61)
Other receivables written off	-	8,858
Inventories written off	396	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	-	(158)
Waiver of payables	-	(1,429)
Operating profit before working capital changes	7,152	17,410
Inventories	8,235	(26,137)
Trade and other receivables	(11,845)	(23,462)
Trade and other payables	(2,004)	10,285
Net cash generated from/ (used in) operations	1,538	(21,904)
Interest paid	(780)	(2,806)
Interest received	70	239
Tax paid	(291)	(792)
Tax refunded	210	-
Net cash generated from/(used in) operating activities	747	(25,263)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	-	258
Purchase of property, plant and equipment	(1,349)	(3,472)
Net cash used in investing activities	(1,349)	(3,214)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(1,179)	(5,080)
Net drawdown of term loans	1,513	2,095
Net drawdown of bankers' acceptance	(8,599)	9,647
Net payment of finance lease liabilities	(608)	(2,327)
Net drawdown of trust receipts	(686)	14,876
Advances from directors	-	10
Net cash (used in) / generated from financing activities	(9,559)	19,221
Net decrease in cash and cash equivalents	(10,161)	(9,256)
Cash and cash equivalents brought forward	(33,244)	(23,885)
Effect of exchange rate changes	(50)	(103)
Cash and cash equivalents carried forward	(43,455)	(33,244)

The unaudited condensed consolidated Statement of Cash Flows should be read in conjunction with the audited Financial Statements 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 FIRST QUARTER ENDED 30 SEPTEMBER 2018

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 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

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 FIRST QUARTER ENDED 30 SEPTEMBER 2018

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

A9. Segmental Reporting

a) Revenue by Business Activities:-

	Revenue	
	Year To Date Ended	
	30-Sep-18	30-Sep-17
	RM'000	RM'000
Distribution of consumer package goods	152,111	105,223
Manufacturing of bakery products	1,679	1,332
Total	153,790	106,555

b) Revenue by Geographical Market:-

	Revenue	
	Year To Date Ended	
	30-Sep-18	30-Sep-17
	RM'000	RM'000
Sabah	85,196	72,900
Sarawak	43,281	24,549
Labuan and others	25,313	9,106
Total	153,790	106,555

A10. Material Events Subsequent To The End Of The Quarter

There was no material event subsequent to the current quarter ended 30 September 2018.

A11. Changes In The Composition of The Group

There were no changes in the composition of the Group during the current financial quarter and current year-to-date 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 quarter.

A13. Material Capital Commitments

There were no material capital commitments approved or contracted for as at 30 September 2018.

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 FIRST QUARTER ENDED 30 SEPTEMBER 2018

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-Sep-18	30-Sep-17		30-Sep-18	30-Sep-17	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	153,790	106,555	47,235	153,790	106,555	47,235
Profit before tax	3,666	360	3,306	3,666	360	3,306

Comparison with preceding year's corresponding quarter

The Group's revenue for the current quarter ended 30 September 2018 ("Q1 2019") increased by RM47.24 million or 44% to RM 153.79 million, from RM 106.55 million for preceding year quarter ended 30 September 2017 ("Q1 2018"). The increase was mainly due to the following:-

(i) the increase in revenue contribution from our operations in Sabah from RM72.90 million (Q1 2018) to RM85.20 million (Q1 2019) mainly due to new distribution points and agencies that have fast moving inventories in Group's portfolio compared to Q1 2018.

(ii) the increase in revenue contribution from our operations in Sarawak from RM24.55 million (Q1 2018) to RM43.28 million (Q1 2019) mainly due to new distributorships in Group's portfolio and also participation in local festival in Kuching which lead to increase in revenue compared to Q1 2018.

(iii) the increase in revenue contribution from our operations in Brunei from RM5.44 million (Q1 2018) to RM21.76 million (Q1 2019) due to the appointment of our subsidiary, Grandtop Marketing Sdn Bhd as the new distributor of grocery products for Nestle Products Sdn Bhd for 1 year since November 2017.

The Group recorded a significant increase in profit before tax ("PBT") by 919% to RM3.67 million in Q1 2019 from RM0.36 million in Q1 2018. During the quarter, significant increase in revenue and gross profit was due to new distributorships secured which have more fast moving inventories and better profit margins.



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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018

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 30-Sep-18 RM'000	Immediate Preceding Quarter 30-Jun-18 RM'000	Change RM'000
Revenue	153,790	136,391	17,399
Profit before tax	3,666	5,294	(1,628)

The Group's revenue has increased from RM 136.39 million for the immediate preceding quarter ended 30 June 2018 to RM 153.79 million (Q1 2019). This was contributed by more agencies in the Group's business portfolio with fast moving products.

The Group's PBT decreased from RM5.29 million for the immediate preceding quarter ended 30 June 2018 to RM3.67 million (Q1 2019). This was contributed by the increase in administrative expenses as there was bonuses and incentives given to the staff who have worked for more than one year with the Group.

B3. Group's Prospects For Financial Year Ending 30 June 2019

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

The abolishment of the Goods and Services Tax ("GST") and the reintroduction of the Sales and Service Tax ("SST") bodes well for the Group as consumer spending is likely to rise, which is expected to increase sales. 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-Sep-18 RM'000	Year to Date 30-Sep-18 RM'000
Current year tax expense	601	601
Deferred tax expenses	764	764
	<u>1,365</u>	<u>1,365</u>

The Group's effective tax rate is higher than the statutory tax rate in Malaysia of 24% mainly due to the non-tax deductible expenses incurred by the Group as well as the under provision of deferred tax liabilities in prior year.

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

B6. Group Borrowings and Debt Securities

The Group's borrowings as at 30 September 2018 are as follows:-

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>Unsecured</u>			
Banker's acceptances	87,609	-	87,609
Trust receipts	14,836	-	14,836
Bank overdrafts	52,696	-	52,696
Revolving credit	18,000	-	18,000
	<u>173,141</u>	<u>-</u>	<u>173,141</u>
<u>Secured</u>			
Term loan	1,635	18,418	20,053
Finance lease liabilities	4,203	16	4,219
	<u>178,979</u>	<u>18,434</u>	<u>197,413</u>

All borrowings indicated above are denominated in Ringgit Malaysia.

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(Incorporated in Malaysia under the Companies Act, 1965)***INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018****PART B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B, PART A OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD****B7. 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.

B8. Dividend Proposed

No dividend has been declared or proposed during the current quarter under review.

B9. Earnings 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-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity owners of the Company	2,105	122	2,105	122
Weighted average number of ordinary shares for basic earnings 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)	0.41	0.02	0.41	0.02
Diluted EPS ⁽¹⁾ (sen)	0.31	0.02	0.31	0.02

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

B10. Status of Corporate Proposals

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

B11. Utilisation of proceeds from the IPO⁽¹⁾

The status of utilisation of the gross proceeds from IPO amounting to RM 21.30 million stated below. The Board has decided to re-allocate the balance of the IPO Proceeds earmarked for acquisition of warehousing facilities including land and building in Sibul, Miri and Kuching and the purchase of equipment for a production line for bakery products in Sarawak to working capital.

Purpose	Proposed	Actual	Deviations RM '000	Deviations %	Initial timeframe for utilisation (from date of listing)
	Utilisation RM '000	Utilisation RM '000			
(i) Acquisition of warehousing facilities including land and building in Sibul, Miri and Kuching	9,000	3,000	-6,000	-67% ⁽⁴⁾	Within 24 months ⁽²⁾
(ii) Construction of new warehousing facility in Kota Kinabalu, Sabah	2,000	2,000			
(iii) Purchase of equipment for the following:					
(a) new warehousing facility in Kota Kinabalu, Sabah	1,000	1,000			
(b) three (3) production lines for bakery products in Sabah	1,000	1,000			
(c) a production line for bakery products in Sarawak	1,000	0	-1,000	-100% ⁽⁴⁾	Within 12 months ⁽³⁾
(iv) Working capital	4,700	11,700	7,000	149% ⁽⁴⁾	
(v) Estimated listing expenses	2,600	2,600			
Total gross proceeds	21,300	21,300	0		

Notes:

(1) As per the Company's Prospectus dated 28 October 2015 ("Prospectus").

(2) The Company had on 24 November 2017 announced the extension of time for the utilisation of IPO Proceeds of RM6.0 million earmarked for the acquisition of warehousing facilities including land and building, in Sibul, Miri and Kuching for an additional 12 months (i.e. until 25 November 2018).

(3) The Company had on 25 November 2016 announced the extension of time for the utilisation of IPO Proceeds of RM1.0 million earmarked for the purchase of equipment for a production line for bakery products in Sarawak for an additional 12 months (i.e. until 25 November 2017) followed by another extension of time for an additional 12 months from 25 November 2017 until 25 November 2018 which was announced on 24 November 2017

(4) The Company had on 19 November 2018 announced the variation for utilisation of remaining IPO proceeds amounting to RM7.0 million for working capital purposes of the Group. RM6.0 million of the unutilised IPO proceeds was earlier earmarked for acquisition of warehousing facilities including land and building in Sibul, Miri and Kuching. In 2016, the Company had acquired Popular Trading Sdn Bhd for RM6.003 million using its internal generated funds. After the acquisition, the Company has adequate warehousing space for its operation in Kuching, Miri and Sibul and has no plan to immediately acquire additional warehousing space in such locations. Therefore, the balance of RM6.0 million is intended to be utilised for working capital of the Group. RM1.0 million of the IPO proceeds was allocated for purchase of equipment for a production line for bakery products in Sarawak. The Company plans to focus on its existing manufacturing bakery products in Sabah and intends to vary such allocation for working capital purposes.