



KIM TECK CHEONG CONSOLIDATED BERHAD

(Company No. 1113927-H)

(Incorporated in Malaysia under the Companies Act, 1965)

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Quarter ended		Year to date ended	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Revenue	150,302	93,803	304,092	200,358
Cost of sales	(130,182)	(82,374)	(265,858)	(176,714)
Gross Profit	20,120	11,429	38,234	23,644
Other income	740	416	814	981
Administrative expenses	(3,364)	(2,549)	(8,872)	(5,376)
Selling and distribution expenses	(9,726)	(6,960)	(16,385)	(14,286)
Other expenses	(905)	(461)	(1,301)	(781)
Operating profit	6,865	1,875	12,490	4,182
Finance costs	(2,446)	(2,031)	(4,405)	(3,978)
Profit/(Loss) before tax	4,419	(156)	8,085	204
Tax (expense)/credit	(1,063)	181	(2,428)	5
Profit for the period	3,356	25	5,657	209
Other comprehensive income, net of tax				
Exchange difference on transaction of foreign operation	2	(8)	(48)	(11)
Revaluation surplus	18,708	-	18,708	-
Total comprehensive income for the period	22,066	17	24,317	198
Total comprehensive income attributable to:				
Owners of the Company	21,359	70	23,464	192
Non-controlling interests	707	(53)	853	6
	22,066	17	24,317	198
Earnings per share attributable to equity holders of the parent:				
Basic (sen)	4.19	0.01	4.60	0.04
Diluted (sen)	3.19	0.01	3.50	0.03

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.



KIM TECK CHEONG CONSOLIDATED BERHAD

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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31-Dec-18	As at 30-Jun-18
	RM'000	RM'000
	(Unaudited)	(Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	97,159	71,836
Goodwill on consolidation	5,981	5,981
Other intangible asset	39	79
Total non-current assets	<u>103,179</u>	<u>77,896</u>
Current assets		
Inventories	101,616	103,121
Trade and other receivables	112,741	129,069
Tax assets	1,088	1,628
Cash and bank balances	8,884	6,792
Total current assets	<u>224,329</u>	<u>240,610</u>
TOTAL ASSETS	<u>327,508</u>	<u>318,506</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	99,360	99,360
Other reserve	27,557	8,890
Reorganisation deficit	(47,962)	(47,962)
Retained earnings	26,289	21,492
	<u>105,244</u>	<u>81,780</u>
Non-controlling interests	5,181	4,328
TOTAL EQUITY	<u>110,425</u>	<u>86,108</u>
Non-current liabilities		
Loans and borrowings	20,256	20,419
Deferred tax liabilities	11,842	5,184
Total non-current liabilities	<u>32,098</u>	<u>25,603</u>
Current liabilities		
Trade and other payables	16,326	34,862
Loans and borrowings	167,086	171,110
Income tax liabilities	1,573	823
Total current liabilities	<u>184,985</u>	<u>206,795</u>
TOTAL LIABILITIES	<u>217,083</u>	<u>232,398</u>
TOTAL EQUITY AND LIABILITIES	<u>327,508</u>	<u>318,506</u>
Net Asset per share (in RM)	<u>0.21</u>	<u>0.16</u>

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 SECOND QUARTER ENDED 31 DECEMBER 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	-	-	(29)	-	-	(29)	(19)	(48)
Realisation of revaluation reserve	-	(12)	-	-	12	-	-	-
Profit for the period	-	-	-	-	4,785	4,785	872	5,657
Revaluation surplus	-	18,708	-	-	-	18,708	-	18,708
As At 31 December 2018	<u>99,360</u>	<u>27,886</u>	<u>(329)</u>	<u>(47,962)</u>	<u>26,289</u>	<u>105,244</u>	<u>5,181</u>	<u>110,425</u>
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	<u>99,360</u>	<u>9,190</u>	<u>(300)</u>	<u>(47,962)</u>	<u>21,492</u>	<u>81,780</u>	<u>4,328</u>	<u>86,108</u>

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 SECOND QUARTER ENDED 31 DECEMBER 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year To Date Ended	
	31-Dec-18	30-Jun-18
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	8,085	(5,295)
Adjustments for:		
Depreciation of property, plant and equipment	1,714	4,476
Amortisation of intangible asset	39	79
Bad debt written off	-	149
Interest expense	4,405	7,885
Interest income	(148)	(238)
Gain on disposal of property, plant and equipment	-	(61)
Other receivables written off	-	8,858
Inventories written off	924	2,661
Prepayments written off	-	384
Property, plant and equipment written off	-	55
Impairment loss on trade receivables	377	44
Reversal of impairment loss on trade receivables	-	(158)
Waiver of payables	-	(1,429)
Operating profit before working capital changes	<u>15,396</u>	<u>17,410</u>
Inventories	581	(26,137)
Trade and other receivables	15,856	(23,462)
Trade and other payables	<u>(18,536)</u>	<u>10,285</u>
Net cash generated from/ (used in) operations	13,297	(21,904)
Interest paid	(1,309)	(2,806)
Interest received	148	239
Tax paid	(599)	(792)
Tax refunded	210	-
Net cash generated from/(used in) operating activities	<u>11,747</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>(2,373)</u>	<u>(3,472)</u>
Net cash used in investing activities	<u>(2,373)</u>	<u>(3,214)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(3,096)	(5,080)
Net drawdown of term loans	1,091	2,095
Net (repayment)/drawdown of bankers' acceptance	(5,980)	9,647
Net payment of finance lease liabilities	(884)	(2,327)
Net (repayment)/drawdown of trust receipts	(487)	14,876
Advances from directors	-	10
Net cash (used in) / generated from financing activities	<u>(9,356)</u>	<u>19,221</u>
Net increase/(decrease) in cash and cash equivalents	18	(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>(33,226)</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 SECOND QUARTER ENDED 31 DECEMBER 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 except for the revaluation of its properties undertaken by the Group. The revaluation was carried out by independent professional valuers in October 2018 and December 2018. Revaluation surplus of RM18.71 million has been recognised in other comprehensive income and accumulated in the equity under the revaluation reserve.

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 SECOND QUARTER ENDED 31 DECEMBER 2018

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

A9. Segmental Reporting

a) Revenue by Business Activities:-

	<u>Revenue</u> Quarter Ended		<u>Revenue</u> Year To Date Ended	
	31-Dec-18 RM'000	31-Dec-17 RM'000	31-Dec-18 RM'000	31-Dec-17 RM'000
Distribution of consumer package goods	148,646	92,501	300,757	197,724
Manufacturing of bakery products	1,656	1,302	3,335	2,634
Total	150,302	93,803	304,092	200,358

b) Revenue by Geographical Market:-

	<u>Revenue</u> Quarter Ended		<u>Revenue</u> Year To Date Ended	
	31-Dec-18 RM'000	31-Dec-17 RM'000	31-Dec-18 RM'000	31-Dec-17 RM'000
Sabah	73,399	59,773	158,595	132,673
Sarawak	54,005	23,565	97,286	48,114
Labuan and others	22,898	10,465	48,211	19,571
Total	150,302	93,803	304,092	200,358

A10. Material Events Subsequent To The End Of The Quarter

There was no material event subsequent to the current quarter ended 31 December 2018 except for the acquisition of the remaining 20% shareholdings in Kim Teck Cheong (Sarawak) Sdn. Bhd. (KTCSSB). After the acquisition, KTCSSB will become a wholly owned subsidiary of the Company. The acquisition was completed on 14 February 2019 as per Company's announcement.

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

The capital commitments as at the end of the FPE 31 Decemeber 2018 is as follow:

Authorised and contracted for:

- investment in subsidiary	RM'000 675
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A14. Significant Related Party Transactions

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

A15. Valuation of Property, Plant and Equipment

During the current financial quarter, the Group has carried out the following:

1. Renovation cost for one of the Group's properties which was classified in the audited financial statements for the FYE 30 June 2018 as renovation (an item in the property, plant and equipment) amounting to RM7.98 million has been reclassified as leasehold buildings, being a property identified as Lot No. 5, Jalan 1F K.K.I.P, Kota Kinabalu Industrial Park (KKIP), Industrial Zone 4 (IZ4), 88460 Kota Kinabalu, Sabah.
2. Revaluation on its properties as disclosed in Note A5 above.



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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 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	
	31-Dec-18 RM'000	31-Dec-17 RM'000	RM'000	%	31-Dec-18 RM'000	31-Dec-17 RM'000	RM'000	%
Revenue	150,302	93,803	56,499	60%	304,092	200,358	103,734	52%
Profit/(Loss) before tax	4,419	(156)	4,575	2933%	8,085	204	7,881	3863%

Comparison with preceding year's corresponding quarter

The Group's revenue for the current quarter ended 31 December 2018 ("**Q2 2019**") increased by approximately RM56.50 million or 60% to RM 150.30 million, from RM 93.80 million for preceding year quarter ended 31 December 2017 ("**Q2 2018**"). The increase was mainly due to the following:-

(i) the increase in revenue contribution from our operations in Sabah from RM59.77 million (Q2 2018) to RM73.40 million (Q2 2019) mainly due to higher sales of more fast moving inventories in relation to Christmas and Chinese New Year festivals as there was a surge in demand for consumer packaged products distributed by the Group;

(ii) the increase in revenue contribution from our operations in Sarawak from RM23.57 million (Q2 2018) to RM54.00 million (Q2 2019) mainly due to Christmas and Chinese New Year festivals as there was a surge in demand for liquors by Heineken Marketing Malaysia Sdn Bhd distributed by the Group; and

(iii) the increase in revenue contribution from our operations in Labuan and Brunei from RM10.47 million (Q2 2018) to RM22.90 million (Q2 2019) due to the surge in demand for consumer packaged products distributed by the Group and especially in Brunei for grocery products for Nestle Products Sdn Bhd.

The Group recorded a significant increase in profit before tax ("PBT") by 2933% to RM4.42 million in Q2 2019 from a loss before tax RM0.16 million in Q2 2018. During the quarter, significant increase in revenue and gross profit was due to surge in demand for fast moving inventories and better profit margins.



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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 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 31-Dec-18 RM'000	Immediate Preceding Quarter 30-Sep-18 RM'000	Change RM'000
Revenue	150,302	153,790	(3,488)
Profit before tax	4,419	3,666	753

The Group's revenue has decreased from RM 153.79 million for the immediate preceding quarter ended 30 September 2018 to RM 150.30 million (Q2 2019). This was due to some outlets have already stocked up inventories earlier in the Q1 2019 before the implementation of Sales and Service Tax.

The Group's PBT increased from RM3.67 million for the immediate preceding quarter ended 30 September 2018 to RM4.42 million (Q2 2019). This was contributed by higher sales of fast moving inventories with better product margin.

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 31-Dec-18	Year to Date 31-Dec-18
	RM'000	RM'000
Current year tax expense	1,063	1,664
Deferred tax expenses	-	764
	<u>1,063</u>	<u>2,428</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. Profit for the Period

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

	Quarter Ended		Year To Date Ended	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Interest income	(78)	(31)	(148)	(186)
Interest expenses	2,446	2,031	4,405	3,978
Depreciation and amortisation	552	991	1,753	1,986
Impairment loss on trade receivables	377	-	377	-
Inventories written off	528	461	924	781
Gain on disposal of property, plant and equipment	-	(54)	-	(54)
Loss on disposal of property, plant and equipment	-	2	-	2

B7. Group Borrowings and Debt Securities

The Group's borrowings as at 31 December 2018 are as follows:-

	Short Term	Long Term	Total
	RM'000	RM'000	RM'000
<u>Unsecured</u>			
Banker's acceptances	87,330	-	87,330
Trust receipts	16,467	-	16,467
Bank overdrafts	42,110	-	42,110
Revolving credit	18,000	-	18,000
	<u>163,907</u>	<u>-</u>	<u>163,907</u>
<u>Secured</u>			
Term loan	1,532	18,136	19,668
Finance lease liabilities	1,647	2,120	3,767
	<u>167,086</u>	<u>20,256</u>	<u>187,342</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.

B10. 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	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity owners of the Company	2,630	78	4,785	203
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
	<u>670,289</u>	<u>670,289</u>	<u>670,289</u>	<u>670,289</u>
Basic EPS (sen)	0.52	0.01	0.94	0.04
Diluted EPS ⁽¹⁾ (sen)	<u>0.39</u>	<u>0.01</u>	<u>0.71</u>	<u>0.03</u>

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

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.