



KIM TECK CHEONG CONSOLIDATED BERHAD
(Company No: 1113927-H)

**INTERIM FINANCIAL REPORT FOR THE
FIRST (1ST) QUARTER ENDED 30 SEPTEMBER 2017**

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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017

Unaudited Condensed Consolidated Statement of Comprehensive Income⁽¹⁾

	Note	Individual Quarter 3 months period ended		Cumulative Quarter 3 months period ended	
		30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Revenue		106,555	88,866	106,555	88,866
Cost of sales		(94,340)	(77,489)	(94,340)	(77,489)
Gross profit		12,215	11,377	12,215	11,377
Other income		565	289	565	289
Administrative expenses		(2,827)	(3,030)	(2,827)	(3,030)
Selling and distribution expenses		(7,326)	(6,228)	(7,326)	(6,228)
Other operating expenses		(320)	(511)	(320)	(511)
Operating profit	B13	2,307	1,897	2,307	1,897
Finance costs		(1,947)	(1,554)	(1,947)	(1,554)
Profit before tax		360	343	360	343
Income tax expense		(176)	(83)	(176)	(83)
Net profit for the period		184	260	184	260
Other comprehensive income, net of tax					
Exchange difference on transaction of foreign operation		(3)	-	(3)	-
Total comprehensive income for the year		181	260	181	260
Profit attributable to:					
Owners of the Company		122	246	122	246
Non-controlling interests		59	14	59	14
		181	260	181	260
Earnings per share attributable to Owners of the Company					
- Basic (sen)	B10	0.02	0.05	0.02	0.05
- Diluted (sen)	B10	0.02	0.04	0.02	0.04

Note:

- (1) 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 2017 and the accompanying explanatory notes as attached to this interim financial report.

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017

Unaudited Condensed Consolidated Statement of Financial Position⁽¹⁾

	As at 30 September 2017 RM'000 (Unaudited)	As at 30 June 2017 RM'000 (Audited)
ASSETS		
Non-current Assets		
Property, plant and equipment	72,919	73,186
Goodwill on consolidation	5,981	5,981
Other intangible asset	138	158
Deferred tax assets	127	127
	79,165	79,452
Current Assets		
Inventories	69,330	79,645
Trade and other receivables	113,816	114,885
Tax assets	2,907	2,785
Deposits, cash and bank balances	7,682	2,777
Total Current Assets	193,735	200,092
Total Assets	272,900	279,544
EQUITY AND LIABILITIES		
Share capital	99,361	99,361
Share premium ⁽²⁾	-	-
Revaluation reserve	9,267	9,312
Reorganisation deficit	(47,963)	(47,963)
Exchange reserve	(85)	(82)
Retained earnings	30,365	30,195
	90,945	90,823
Non-controlling interests	3,198	3,139
Total Equity	94,143	93,962
Non-current Liabilities		
Finance lease liabilities	3,984	4,310
Borrowings	16,326	15,235
Deferred tax liabilities	6,311	6,361
Total Non-current Liabilities	26,621	25,906
Current Liabilities		
Trade payables and other payables	17,566	25,627
Finance lease liabilities	1,816	1,833
Borrowings	132,121	131,757
Current tax liabilities	633	458
Total Current Liabilities	152,136	159,676
Total Liabilities	178,757	185,582
Total Equity and Liabilities	272,900	279,544
Number of ordinary shares of RM0.10 each ('000)	510,277	510,277
Net assets attributable to ordinary shareholders of the Company, per ordinary share (RM)	0.18	0.18

Notes:

- (1) 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 2017 and the accompanying explanatory notes as attached to this interim financial report.
- (2) Pursuant to Section 618(2) of the Companies Act 2016 ("CA 2016"), any amount standing to the credit of the share premium account shall become part of the share capital. Notwithstanding this, the Group may within 24 months upon commencement of the CA 2016 use the amount standing to the credit of the share premium account of RM24,331,000 for the purposes set out in Section 618(3) of the CA 2016.

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017

Unaudited Condensed Consolidated Statement of Changes in Equity⁽¹⁾

	←----- Attributable to Equity Owners of the Company ----->								
	Share Capital RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Reorganisation Deficit RM'000	Exchange Reserve RM'000	Retained Earnings RM'000	Sub- total RM'000	Non- controlling interests RM'000	Total Equity RM'000
Current period-to-date ended 30 September 2017									
As at 1 July 2017	99,361	-	9,312	(47,963)	(82)	30,195	90,823	3,139	93,962
Exchange difference on transaction of foreign operation	-	-	-	-	(3)	-	(3)	-	(3)
Profit for the period	-	-	-	-	-	125	125	59	184
Realisation of revaluation reserve	-	-	(45)	-	-	45	-	-	-
Balance as at 30 September 2017	99,361	-	9,267	(47,963)	(85)	30,365	90,945	3,198	94,143
Corresponding period-to-date ended 30 June 2017									
As at 1 July 2016	75,030	24,331	9,496	(47,963)	-	28,896	89,790	866	90,656
Exchange difference on transaction of foreign operation	-	-	-	-	(82)	-	(82)	-	(82)
Profit for the period	-	-	-	-	-	1,115	1,115	469	1,584
Realisation of revaluation reserve	-	-	(184)	-	-	184	-	-	-
Transaction with owners									
Adjustment for effect of CA 2016 ⁽²⁾	24,331	(24,331)	-	-	-	-	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	1,804	1,804
Balance as at 30 June 2017	99,361	-	9,312	(47,963)	(82)	30,195	90,823	3,139	93,962

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017

Unaudited Condensed Consolidated Statement of Changes in Equity⁽¹⁾ (Cont'd)

Notes:

- (1) 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 2017 and the accompanying explanatory notes as attached to this interim financial report.
- (2) Pursuant to Section 618(2) of the CA 2016, any amount standing to the credit of the share premium account shall become part of the share capital. Notwithstanding this, the Group may within 24 months upon commencement of the CA 2016 use the amount standing to the credit of the share premium account of RM24,331,000 for the purposes set out in Section 618(3) of the CA 2016.

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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017

Unaudited Condensed Consolidated Statement of Cash Flows⁽¹⁾

	Current Period Ended 30 September 2017 RM'000	Corresponding Period Ended 30 June 2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	360	2,989
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	975	3,542
Amortisation of intangible asset	20	79
Bad debts written off	-	2
Interest income	(155)	(228)
Interest expenses	1,947	7,231
Gain on disposal of property, plant and equipment	-	(8)
Gain on bargain purchase arising from the acquisition of subsidiaries	-	(2,173)
Inventories written off	320	2,347
Impairment loss on:		
- trade receivables	-	385
- other receivables	-	22
Property, plant and equipment written off	-	*
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	3,467	14,188
Changes in working capital:		
Inventories	9,994	(16,847)
Receivables	1,069	(14,525)
Payables	(8,060)	(12,542)
Cash from/(used in) operating activities	6,470	(29,726)
Interests received	155	228
Interests paid	(781)	(1,143)
Tax paid	(173)	(2,812)
NET OPERATING CASH FLOWS	5,671	(33,453)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(708)	(5,264)
Proceeds from the disposal of property, plant and equipment	-	8
Acquisition of subsidiary companies, net of cash acquired	-	(4,483)
NET INVESTING CASH FLOWS	(708)	(9,739)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interests paid	(1,166)	(6,088)
Drawdown of term loans	630	526
Drawdown of bankers' acceptance	81,978	398,664
Repayments of bankers' acceptance	(88,260)	(394,118)
Repayments of finance lease liabilities	(342)	(700)
Drawdown of revolving credit	-	8,000
Drawdown of trust receipts	1,324	2,185
Repayments of trust receipts	(2,185)	-
Advances from directors	-	22
NET FINANCING CASH FLOWS	(8,021)	8,491
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,058)	(34,701)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	(23,885)	10,898
Effects of foreign exchange rate changes	(3)	(82)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	(26,946)	(23,885)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017

Unaudited Condensed Consolidated Statement of Cash Flows⁽¹⁾ (Cont'd)

	Current Period Ended 30 September 2017 RM'000	Corresponding Period Ended 30 June 2017 RM'000
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	7,682	2,777
Cash deposits placed with licensed banks	-	-
Less: Bank overdrafts	(34,628)	(26,662)
	(26,946)	(23,885)

Notes:

- (1) 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 2017 and the accompanying explanatory notes as attached to this interim financial report.

* RM206.00

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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017

A Explanatory Notes to the Unaudited Interim Financial Report for the period ended 30 September 2017

A1 Basis of Preparation

The interim financial report of the Group are 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 Standard (“IAS”) 34: Interim Financial Reporting issued by the Institutional Accounting Standard Board (“IASB”), rule 9.22 and Appendix 9B of the ACE Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

This interim financial statement should be read in conjunction with the audited financial statements of the Group for the FYE 30 June 2017.

A2 Significant Accounting Policies

The significant accounting policies and presentations adopted by the Group are consistent with those adopted for the audited financial statements of the Group for the FYE 30 June 2017 and the accompanying explanatory notes as attached to this interim financial report.

A3 Auditors’ Report

There was no qualification on the audited financial statements of the Company and its subsidiaries for the FYE 30 June 2017.

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 unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter and current year-to-date under review.

A6 Material Changes in Estimates

There were no changes in estimates that had a material effect in the current financial quarter and current year to-date under review.

A7 Debts and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debts and equity securities for the current financial quarter and current year-to-date under review.

A8 Dividend Paid

No dividend was paid during the current financial quarter and current year to-date under review.

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017

A Explanatory Notes to the Unaudited Interim Financial Report for the period ended 30 September 2017 (Cont'd)

A9 Segmental Information

(a) Revenue by Business Activities

	Current Quarter 3 months ended		Cumulative Quarter 3 months ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Distribution of third party brands of consumer packaged goods	104,229	85,965	104,229	85,965
Distribution of own brands of consumer packaged goods	994	1,345	994	1,345
Manufacturing of bakery products	1,332	1,556	1,332	1,556
Total	106,555	88,866	106,555	88,866

(b) Revenue by Geographical Market

	Current Quarter 3 months ended		Cumulative Quarter 3 months ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
East Malaysia				
Sabah	72,900	72,463	72,900	72,463
Sarawak	24,549	12,349	24,549	12,349
Labuan	3,662	4,054	3,662	4,054
Brunei	5,444	-	5,444	-
Total	106,555	88,866	106,555	88,866

A10 Material Events Subsequent to the end of the Current Financial Quarter

There are no other material events subsequent to the end of the current financial quarter and up to the date of this report.

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017
A Explanatory Notes to the Unaudited Interim Financial Report for the period ended 30 September 2017 (Cont'd)
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 or Contingent Assets

There were no contingent liabilities or contingent assets as at the end of the current financial quarter and up to the date of this report.

A13 Capital Commitments

Saved as disclosed below, there were no other material capital commitments as at the end of the current financial quarter:

	As at 30 September 2017 RM'000
Approved and/or contracted for:	
- Construction of new warehousing facility in Kota Kinabalu, Sabah	3,373
Total	3,373

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 2017

B Additional Information Required by Appendix 9B of the Listing Requirements

B1 Review of Performance

Comparison with preceding year's corresponding quarter

The Group's revenue for the current quarter ended 30 September 2017 ("**Q1 2018**") increased by RM17.69 million or 19.91% to RM106.56 million, from RM88.87 million for the preceding year's corresponding quarter ended 30 September 2016 ("**Q1 2017**"). The increase was mainly due to the following:

- (i) the increase in the revenue contribution of our operations in Sarawak from RM12.35 million (Q1 2017) to RM24.55 million (Q1 2018) mainly contributed from the distribution of Consumer Packaged Goods ("**CPG**") for Procter & Gamble (Malaysia) Sdn Bhd; and
- (ii) the revenue contribution amounting to RM5.44 million from our newly acquired subsidiary, Grandtop Marketing Sdn Bhd, which was completed on 1 March 2017.

Nevertheless, our Group recorded a marginal increase in profit before tax ("**PBT**") to RM0.36 million in Q1 2018 from RM0.34 million in Q1 2017. During the quarter, our finance cost increased from RM1.55 million (Q1 2017) to RM1.95 million (Q1 2018) mainly due to the investment in warehousing equipment and business infrastructures in Sarawak.

B2 Comparative with Immediate Preceding Quarter's Results

The Group's PBT decreased from RM0.80 million for the immediate preceding quarter ended 30 June 2017 to RM0.36 million (Q1 2018) was mainly attributed by the gain on bargain purchase arising from the acquisition of Grandtop Marketing Sdn Bhd.

B3 Prospects

During the past financial year, our Group expanded its business infrastructure capacities and geographic presence in Sabah, Sarawak and Brunei. Our Group will focus on utilising the expanded capacities to generate higher revenue. In addition, the Group will continue reviewing and rationalising the current product portfolio to increase productivity and efficiency in the utilisation of resources.

The Board of Directors of KTC Consolidated ("**Board of Directors**") is of the view that the Group's overall performance for the financial year ending 30 June 2018 will remain satisfactory.

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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017
B Additional Information Required by Appendix 9B of the Listing Requirements (Cont'd)
B4 Variance of Actual Profit from Profit Forecast or Profit Guarantee

The Group has not issued any profit forecast or profit guarantee in any form of public documentation and announcement.

B5 Taxation

	Current Quarter 30 september 2017 RM'000	Cumulative Quarter 30 September 2017 RM'000
Current tax expenses	176	176
Deferred taxation	-	-
	176	176
Effective tax rate	48.89%	48.89%

The Group's effective tax rate is higher than the statutory tax rate of 24% mainly due to expenses incurred which were not deductible for tax purpose and under provision in prior year.

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

B6 (a) Status of Corporate Proposals

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

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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017

B Additional Information Required by Appendix 9B of the Listing Requirements (Cont'd)**(b) Utilisation of proceeds from the IPO**

The status of utilisation of the gross proceeds from the IPO amounting to RM21.30 million are as follows:

Purposes		Proposed utilisation RM'000	Actual utilisation RM'000	Balance unutilised RM'000	Initial timeframe for utilisation (from the listing date)
(i)	Acquisition of warehousing facilities including land and building, in Sibul, Miri and Kuching	9,000	3,000	6,000	Within 36 months*
(ii)	Construction of new warehousing facility in Kota Kinabalu, Sabah	2,000	2,000	-	Within 18 months
(iii)	Purchase of equipment for the following:				
	(a) new warehousing facility in Kota Kinabalu, Sabah	1,000	1,000	-	Within 18 months
	(b) three (3) production lines for bakery products in Sabah	1,000	1,000	-	Within 12 months
	(c) a production line for bakery products in Sarawak	1,000	-	1,000	Within 36 months**
(iv)	Working capital	4,700	4,700	-	Within 12 months
(v)	Estimated listing expenses	2,600	2,600	-	Upon Listing
Total gross proceeds		21,300	14,300	7,000	

Notes:

* As per the announcement dated 24 November 2017, the timeframe for utilisation has been extended for an additional 12 months from its initial utilisation timeframe of within 24 months from the listing date as per the Prospectus of the Company dated 28 October 2015.

** As per the announcement dated 25 November 2016 and 24 November 2017, the timeframe for utilisation has been extended for an additional 24 months from its initial utilisation timeframe of within 12 months from the listing date as per the Prospectus of the Company dated 28 October 2015.

The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 28 October 2015.

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017

B Additional Information Required by Appendix 9B of the Listing Requirements (Cont'd)**B7 Group's Borrowings and Debt Securities**

The Group's borrowings as at 30 September 2017 are as follows:

	Short-term RM'000	Long-term RM'000	Total RM'000
<u>Unsecured</u>			
Bankers' acceptances	77,382	-	77,382
Trust receipts	1,324	-	1,324
Bank overdrafts	34,628	-	34,628
Revolving credit	18,000	-	18,000
	131,334	-	131,334
<u>Secured</u>			
Term loans	787	16,326	17,113
Finance lease liabilities	1,816	3,984	5,800
	2,603	20,310	22,913
Total	133,937	20,310	154,247

All the Group's borrowings are denominated in Ringgit Malaysia.

B8 Derivative Financial Instruments

There is no derivative financial instrument as at the date of this report.

B9 Material Litigation

As at the date of this report, there is no litigation or arbitration, which has a material effect on the financial position of the Group, and the Board of Directors is not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings.

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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017

B Additional Information Required by Appendix 9B of the Listing Requirements (Cont'd)**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 ended		Year-to-date ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Profit attributable to ordinary equity owners of the Company	122	246	122	246
Weighted average number of ordinary shares for basic earnings per share	510,277	453,244	510,277	453,244
Effect of dilution from:				
- redeemable convertible preference shares	160,012	160,012	160,012	160,012
	670,289	613,256	670,289	613,256
Basic EPS (sen)	0.02	0.05	0.02	0.05
Diluted EPS ⁽²⁾ (sen)	0.02	0.04	0.02	0.04

Note:

- (1) The diluted EPS is computed based on the profit attributable to the owners of the Company divided by the 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.

B11 Dividends

No dividends have been declared or proposed for the current financial quarter under review.

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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017

B Additional Information Required by Appendix 9B of the Listing Requirements (Cont'd)**B12 Disclosure of Realised and Unrealised Profits / (Losses)**

The determination of realised and unrealised profits is based on Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Securities' Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The realised and unrealised retained earnings of the Group as at 30 September 2017 are analysed as follows:

	As at 30 September 2017 RM'000	As at 30 September 2016 RM'000
The retained earnings of the Company and its subsidiaries:		
- Realised	52,068	52,367
- Unrealised	(6,184)	(5,273)
Less: Consolidated adjustments	(15,519)	(17,908)
Total Group retained earnings as per unaudited condensed financial statements	30,365	29,186

B13 Notes to the Condensed Consolidated Statement of Comprehensive Income⁽¹⁾

	Current Quarter ended		Year-to-date	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Profit before tax is arrived at after charging:-				
Depreciation of property, plant and Equipment	975	806	975	806
Amortisation of intangible asset	20	20	20	20
Inventories written off	320	509	320	509
Bad debts written off	-	2	-	2
Finance costs	1,947	1,554	1,947	1,554
Rental expenses	544	373	544	373
After crediting:-				
Interest income	(155)	(50)	(155)	(50)

Note:

- (1) Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Securities are not applicable.