



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

INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 30 SEPTEMBER 2020

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

	Quarter Ended		Period to Date Ended	
	30-Sep-2020 RM'000	30-Sep-2019 RM'000	30-Sep-2020 RM'000	30-Sep-2019 RM'000
Revenue	172,314	157,312	172,314	157,312
Cost of sales	(155,125)	(139,977)	(155,125)	(139,977)
Gross profit	17,189	17,335	17,189	17,335
Other operating income	1,009	417	1,009	417
Administrative expenses	(4,865)	(5,072)	(4,865)	(5,072)
Selling and distribution expenses	(7,565)	(7,419)	(7,565)	(7,419)
Other expenses	(1,239)	(687)	(1,239)	(687)
Profit from operations	4,529	4,574	4,529	4,574
Finance costs	(1,408)	(2,643)	(1,408)	(2,643)
Profit before tax	3,121	1,931	3,121	1,931
Income tax expense	(1,081)	(464)	(1,081)	(464)
Profit for the financial period	2,040	1,467	2,040	1,467
Other comprehensive income				
Item that may be reclassified subsequently to profit or loss:				
Exchange difference on translation of a foreign operation	(131)	(102)	(131)	(102)
Item that will not be reclassified subsequently to profit or loss:				
Revaluation surplus on leasehold land and buildings, net of deferred tax	-	-	-	-
Total comprehensive income for the financial period	1,909	1,365	1,909	1,365



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

	Quarter Ended		Period to Date Ended	
	30-Sep-2020	30-Sep-2019	30-Sep-2020	30-Sep-2019
	RM	RM	RM	RM
Profit attributable to:				
Owners of the Company	2,050	1,728	2,050	1,728
Non-controlling interests	(10)	(261)	(10)	(261)
	<u>2,040</u>	<u>1,467</u>	<u>2,040</u>	<u>1,467</u>
Total comprehensive income attributable to:				
Owners of the Company	1,972	1,667	1,972	1,667
Non-controlling interests	(63)	(302)	(63)	(302)
	<u>1,909</u>	<u>1,365</u>	<u>1,909</u>	<u>1,365</u>
Earning per share attributable to the Company:				
Basic (sen)	<u>0.31</u>	<u>0.34</u>	<u>0.31</u>	<u>0.34</u>
Diluted (sen)	<u>0.31</u>	<u>0.26</u>	<u>0.31</u>	<u>0.26</u>

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 2020 and the accompanying explanatory notes attached to this interim financial report.



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30-Sep-2020 RM'000 Unaudited	As at 30-Jun-2020 RM'000 Audited
ASSETS		
Non-current assets		
Property, plant and equipment	99,406	100,412
Goodwill on consolidation	5,981	5,981
Total non-current assets	105,387	106,393
Current assets		
Inventories	84,096	105,924
Trade and other receivables	129,913	134,338
Tax recoverable	134	1,193
Cash and bank balances	9,070	2,012
Total current assets	223,213	243,467
TOTAL ASSETS	328,600	349,860
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	99,360	99,360
Other reserves	30,171	30,249
Reorganisation deficit	(47,962)	(47,962)
Retained earnings	32,811	30,761
	114,380	112,408
Non-controlling interests	4,382	4,445
TOTAL EQUITY	118,762	116,853
Non-current liabilities		
Loans and borrowings	20,456	21,693
Deferred tax liabilities	11,562	11,522
Total non-current liabilities	32,018	33,215



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

	As at 30-Sep-2020 RM'000 Unaudited	As at 30-Jun-2020 RM'000 Audited
Current liabilities		
Trade and other payables	38,360	46,218
Loans and borrowings	139,375	152,879
Taxation	85	695
Total current liabilities	177,820	199,792
TOTAL LIABILITIES	209,838	233,007
TOTAL EQUITY AND LIABILITIES	328,600	349,860
Net asset per share (RM)	0.18	0.23

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 2020 and the accompanying explanatory notes attached to this interim financial report.



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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				
Balance at 1 July 2020	99,360	30,342	(93)	(47,962)	30,761	112,408	4,445	116,853
Profit for the financial period	-	-	-	-	2,050	2,050	(10)	2,040
Other comprehensive loss - Foreign currency translation	-	-	(78)	-	-	(78)	(53)	(131)
Total comprehensive (loss)/income for the financial period	-	-	(78)	-	2,050	1,972	(63)	1,909
Balance at 30 September 2020	99,360	30,342	(171)	(47,962)	32,811	114,380	4,382	118,762



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

	←——— Attributable to owners of the Company ———→				Distributable Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	←——— Non-distributable ———→			Reorganisation deficit RM'000				
	Share capital RM'000	Revaluation reserve RM'000	Exchange reserve RM'000					
Balance at 1 July 2019	99,360	27,898	(110)	(47,962)	27,686	106,872	3,854	110,726
Effect of adoption of MFRS 16	-	-	-	-	(336)	(336)	-	(336)
Restated balance at 1 July 2019	99,360	27,898	(110)	(47,962)	27,350	106,536	3,854	110,390
Profit for the financial period	-	-	-	-	1,728	1,728	(261)	1,467
Other comprehensive loss - Foreign currency translation	-	-	(61)	-	-	(61)	(41)	(102)
Total comprehensive (loss)/income for the financial period	-	-	(61)	-	1,728	1,667	(302)	1,365
Balance at 30 September 2019	99,360	27,898	(171)	(47,962)	29,078	108,203	3,552	111,755

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 2020 and the accompanying explanatory notes attached to this interim financial report.



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INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 30 SEPTEMBER 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Period to Date Ended	
	30-Sep-2020 RM'000	30-Sep-2019 RM'000
Cash Flows from operating activities		
Profit before taxation	3,121	1,931
Adjustments for:		
Bad debts written off	-	75
Reversal of bad debts written off	(9)	(1)
Depreciation of property, plant and equipment	1,413	1,191
Interest expenses	1,408	2,643
Interest income	(29)	(62)
Inventories written off	1,239	612
Reversal of impairment on financial assets	(98)	-
Unrealised gain on foreign exchange	(332)	-
Operating profit before working capital changes	6,713	6,389
Change in inventories	20,589	9,701
Change in receivables	4,864	2,060
Change in payables	(7,841)	(18,108)
Cash generated from operating activities	24,325	42
Income tax paid	(591)	(1,077)
Interests paid	(1,408)	(2,643)
Interests received	29	62
Net cash generated from/(used in) operating activities	22,355	(3,616)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(459)	(187)
Proceeds from disposal of property, plant and equipment	52	-
Net cash used in investing activities	(407)	(187)



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

	Period to Date Ended	
	30-Sep-2020 RM'000	30-Sep-2019 RM'000
Cash flows from financing activities		
Net payments of bankers' acceptances	(9,361)	(8,353)
Net payments of term loans	-	(291)
Net payments of lease liabilities	(341)	(496)
Net payments of hire purchase payables	(318)	-
Net drawdown of trust receipts	1,245	877
Net cash used in financing activities	(8,775)	(8,263)
Net increase/(decrease) in cash and cash equivalents	13,173	(12,066)
Effect of exchange rate fluctuations	(131)	(102)
Cash and cash equivalents at beginning of the financial period	(13,819)	(23,186)
Cash and cash equivalents at end of the financial period	(777)	(35,354)

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 2020 and the accompanying explanatory notes attached to this interim financial report.



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INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 30 SEPTEMBER 2020

NOTES TO THE INTERIM FINANCIAL REPORT

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 30 SEPTEMBER 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 2020.

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 2020.

Standards issued but not yet effective

Certain new accounting standards and interpretations have been issued but not yet effective for 30 June 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods.

A3. Audited Report of Preceding Annual Financial Statements

The audited financial statements for the financial year ended 30 June 2020 was not subject to any qualification.

A4. Seasonal or Cyclical Factors

The Group does not experience significant fluctuation in operations due to seasonal factors during the current financial quarter and period-do-date 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 FIRST (1ST) QUARTER ENDED 30 SEPTEMBER 2020 (CONT'D)

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		Period to Date Ended	
	30-Sep-2020 RM'000	30-Sep-2019 RM'000	30-Sep-2020 RM'000	30-Sep-2019 RM'000
Distribution of consumer package goods	169,646	155,398	169,646	155,398
Manufacturing of bakery products	2,668	1,914	2,668	1,914
	<u>172,314</u>	<u>157,312</u>	<u>172,314</u>	<u>157,312</u>



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NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 30 SEPTEMBER 2020 (CONT'D)

A9. Segmental Reporting (Cont'd)

b) Revenue by Geographical Market:-

	Quarter Ended		Period to Date Ended	
	30-Sep-2020 RM'000	30-Sep-2019 RM'000	30-Sep-2020 RM'000	30-Sep-2019 RM'000
Sabah	94,521	84,161	94,521	84,161
Sarawak	51,163	50,308	51,163	50,308
Labuan and others	26,630	22,843	26,630	22,843
	<u>172,314</u>	<u>157,312</u>	<u>172,314</u>	<u>157,312</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 FIRST (1ST) QUARTER ENDED 30 SEPTEMBER 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		Period to Date Ended	
	30-Sep-2020	30-Sep-2019	RM'000	%	30-Sep-2020	30-Sep-2019
	RM'000	RM'000	RM'000	%	RM'000	RM'000
Revenue	172,314	157,312	15,002	9.54%	172,314	157,312
Profit before tax	3,121	1,932	1,189	61.54%	3,121	1,932

Comparison with preceding period's corresponding quarter

The Group recorded an increase in revenue by RM15.00 million or 9.54% to RM172.31 million as compared to RM157.31 million in financial quarter ended 30 September 2019. The increase was mainly attributed to the increase in nutrition products supplied by a new agency in October 2019 as well as additional bakery product lines that have been put into operations since 1 April 2020.

Despite the recent outbreak of Covid-19 pandemic has disrupted the supply chains and contributing to short-term market uncertainties, the management has continued to put effort in upholding the business and registered a profit before tax of RM3.12 million for the current financial quarter as compared to the profit before tax of RM1.93 million in the financial quarter ended 30 September 2019.

The higher profit before tax was mainly due to decrease in finance costs as a result of the effective cost control measure as well as the improved cash flows management which resulted in the decrease in borrowings of the Group.



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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

	Current Quarter 30-Sep-2020 RM'000	Immediate Preceding Quarter 30-Jun-2020 RM'000	Variance	
			RM'000	%
Revenue	172,314	151,066	21,248	14.07%
Profit/(Loss) before tax	3,121	(627)	3,748	597.77%

The Group's revenue for the current financial quarter ended 30 September 2020 increased by RM21.25 million or 14.07% to RM172.31 million as compared to RM151.07 million in the preceding financial quarter ended 30 June 2020 and the Group's profit before tax for the current financial quarter of RM3.12 million represented an increase in profit before tax of RM3.75 million or 597.77% as compared to loss before tax of RM0.63 million in the preceding financial quarter.

The increase in profit before tax for the current financial quarter was mainly attributable to there were inventories written off for terminated agencies and inventory lost of RM2.00 million as well as impairment loss on trade receivables and also bad debts written off of RM0.56 million were recognised in the preceding financial quarter.

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 on 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.

With a number of crises unfolding around the world and downside risks on the economic side, locally and globally with 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.



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

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:

	Current Quarter 30-Sep-2020 RM'000	Period to Date Ended 30-Sep-2020 RM'000
Current taxation	1,081	1,081

Income tax is calculated at the Malaysian statutory rate of 35% of the estimated assessable profit for the fiscal year.

- (a) The effective tax rate for current financial period was higher than the statutory tax rate mainly due to certain expenses being disallowed for tax purposes.
- (b) Tax expense is recognised based on management's best estimate.



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

B6. Profit from operations for the Period

	Quarter Ended		Period to Date Ended	
	30-Sep-2020 RM'000	30-Sep-2019 RM'000	30-Sep-2020 RM'000	30-Sep-2019 RM'000
Reversal of bad debts written off	(9)	(1)	(9)	(1)
Interest income	(29)	(62)	(29)	(62)
Rental incomes				
- Motor vehicles	(83)	(75)	(83)	(75)
- Warehouse and offices	(56)	(41)	(56)	(41)
Supply chain income	(126)	(129)	(126)	(129)
Reversal of impairment loss on financial assets	(98)	-	(98)	-
Auditors' remuneration				
- Statutory audit	60	54	60	54
Bad debts written off	-	75	-	75
Depreciation of property, plant and equipment	1,413	1,191	1,413	1,191
Inventories written off	1,239	612	1,239	612
Interest expenses	1,408	2,643	1,408	2,643
Rental expenses			-	-
- Warehouse and offices	206	334	206	334
- Office equipments	29	31	29	31
Realised loss on foreign exchange	88	137	88	137
Unrealised gain on foreign exchange	(332)	-	(332)	-



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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 September 2020 are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>Secured</u>			
Bankers' acceptances	99,058	-	99,058
Trust receipts	24,003	-	24,003
Bank overdrafts	9,847	-	9,847
Revolving credit	2,000	-	2,000
Term loans	878	17,417	18,295
Hire purchase payables	1,034	969	2,003
	136,820	18,386	155,206
<u>Unsecured</u>			
Lease liabilities	2,555	2,070	4,625
	139,375	20,456	159,831

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 financial period-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. Earning Per Share (“EPS”)

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

	Quarter Ended		Period to Date Ended	
	30-Sep-2020	30-Sep-2019	30-Sep-2020	30-Sep-2019
Profit net of tax attributable to the owners of the Company (RM'000)	2,050	1,728	2,050	1,728
Weighted average number of ordinary shares in issue (basic) ('000)	670,289	510,277	670,289 ⁽¹⁾	510,277
Effect of dilution from:				
- redeemable convertible preference shares ('000)	-	160,012	-	160,012
	<u>670,289</u>	<u>670,289</u>	<u>670,289</u>	<u>670,289</u>
Basic EPS (sen)	0.31 ⁽¹⁾	0.34	0.31 ⁽¹⁾	0.34
Diluted EPS (sen)	<u>0.31 ⁽¹⁾</u>	<u>0.26 ⁽²⁾</u>	<u>0.31 ⁽¹⁾</u>	<u>0.26 ⁽²⁾</u>

Note:

- (1) Diluted earnings per share of the Group for the current quarter and financial period to date ended 30 September 2020 is equivalent to the basic earning per share as the Group does not have convertible options as at the end of the reporting period.
- (2) The diluted EPS was computed based on the profit net of tax attributable to the owners of the Company divided by the weighted average number of ordinary shares in issue (basic) and assume the full conversion of the redeemable convertible preference shares into 160,012,387 ordinary shares in the Company.

B11. Status of Corporate Proposals

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