



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

**INTERIM FINANCIAL REPORT FOR THE
SECOND (2ND) QUARTER ENDED 31 DECEMBER 2017**

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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

Unaudited Condensed Consolidated Statement of Comprehensive Income⁽¹⁾

	Individual Quarter		Cumulative Quarter	
	3 months period ended		6 months period ended	
	31	31	31	31
	December	December	December	December
	2017	2016	2017	2016
Note	RM'000	RM'000	RM'000	RM'000
Revenue	93,803	114,546	200,358	203,412
Cost of sales	(82,374)	(100,949)	(176,714)	(178,438)
Gross profit	11,429	13,597	23,644	24,974
Other income	416	273	981	562
Administrative expenses	(2,549)	(3,309)	(5,376)	(6,339)
Selling and distribution expenses	(6,960)	(7,336)	(14,286)	(13,564)
Other operating expenses	(461)	(406)	(781)	(917)
Operating profit	B13 1,875	2,819	4,182	4,716
Finance costs	(2,031)	(1,610)	(3,978)	(3,164)
(Loss) / Profit before tax	(156)	1,209	204	1,552
Income tax credit / (expense)	181	(266)	5	(349)
Net profit for the period	25	943	209	1,203
Other comprehensive income, net of tax				
Exchange difference on translation of foreign operation	(8)	-	(11)	-
Total comprehensive income for the year	17	943	198	1,203
Profit attributable to:				
Owners of the Company	70	913	192	1,159
Non-controlling interests	(53)	30	6	44
	17	943	198	1,203
Earnings per share attributable to Owners of the Company				
- Basic (sen)	B11 0.01	0.18	0.04	0.23
- Diluted (sen)	B11 0.01	0.14	0.03	0.17

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 SECOND QUARTER ENDED 31 DECEMBER 2017

Unaudited Condensed Consolidated Statement of Financial Position⁽¹⁾

	As at 31 December 2017 RM'000 (Unaudited)	As at 30 June 2017 RM'000 (Audited)
ASSETS		
Non-current Assets		
Property, plant and equipment	73,363	73,186
Goodwill on consolidation	5,981	5,981
Other intangible asset	118	158
Deferred tax assets	166	127
	79,628	79,452
Current Assets		
Inventories	77,403	79,645
Trade and other receivables	100,690	114,885
Tax assets	3,229	2,785
Deposits, cash and bank balances	7,260	2,777
Total Current Assets	188,582	200,092
Total Assets	268,210	279,544
EQUITY AND LIABILITIES		
Share capital	99,361	99,361
Share premium ⁽²⁾	-	-
Revaluation reserve	9,221	9,312
Reorganisation deficit	(47,963)	(47,963)
Exchange reserve	(93)	(82)
Retained earnings	30,489	30,195
	91,015	90,823
Non-controlling interests	3,145	3,139
Total Equity	94,160	93,962
Non-current Liabilities		
Finance lease liabilities	3,576	4,310
Borrowings	17,129	15,235
Deferred tax liabilities	6,306	6,361
Total Non-current Liabilities	27,011	25,906
Current Liabilities		
Trade payables and other payables	17,520	25,627
Finance lease liabilities	1,750	1,833
Borrowings	127,300	131,757
Current tax liabilities	469	458
Total Current Liabilities	147,039	159,676
Total Liabilities	174,050	185,582
Total Equity and Liabilities	268,210	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 SECOND QUARTER ENDED 31 DECEMBER 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 31 December 2017									
As at 1 July 2017	99,361	-	9,312	(47,963)	(82)	30,195	90,823	3,139	93,962
Exchange difference on translation of foreign operation	-	-	-	-	(11)	-	(11)	-	(11)
Profit for the period	-	-	-	-	-	203	203	6	209
Realisation of revaluation reserve	-	-	(91)	-	-	91	-	-	-
Balance as at 31 December 2017	99,361	-	9,221	(47,963)	(93)	30,489	91,015	3,145	94,160
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 translation 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 SECOND QUARTER ENDED 31 DECEMBER 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 SECOND QUARTER ENDED 31 DECEMBER 2017

Unaudited Condensed Consolidated Statement of Cash Flows⁽¹⁾

	Current Period Ended 31 December 2017 RM'000	Corresponding Period Ended 30 June 2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	204	2,989
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	1,947	3,542
Amortisation of intangible asset	39	79
Bad debts written off	-	2
Interest income	(186)	(228)
Interest expenses	3,978	7,231
Gain on disposal of property, plant and equipment	(54)	(8)
Gain on bargain purchase arising from the acquisition of subsidiaries	-	(2,173)
Inventories written off	781	2,347
Impairment loss on:		
- trade receivables	-	385
- other receivables	-	22
Loss on disposal of property, plant and equipment	2	-
Property, plant and equipment written off	-	*
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	6,711	14,188
<u>Changes in working capital:</u>		
Inventories	1,461	(16,847)
Receivables	14,194	(14,525)
Payables	(8,010)	(12,542)
Cash from/(used in) operating activities	14,356	(29,726)
Interests received	186	228
Interests paid	(1,577)	(1,143)
Tax paid	(521)	(2,812)
NET OPERATING CASH FLOWS	12,444	(33,453)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,326)	(5,264)
Proceeds from the disposal of property, plant and equipment	157	8
Acquisition of subsidiary companies, net of cash acquired	-	(4,483)
NET INVESTING CASH FLOWS	(2,169)	(9,739)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interests paid	(2,400)	(6,088)
Drawdown of term loans	1,761	526
Drawdown of bankers' acceptance	157,321	398,664
Repayments of bankers' acceptance	(160,333)	(394,118)
Repayments of finance lease liabilities	(816)	(700)
Drawdown of revolving credit	-	8,000
Drawdown of trust receipts	1,904	2,185
Repayments of trust receipts	(3,509)	-
Advances from directors	-	22
NET FINANCING CASH FLOWS	(6,072)	8,491
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,203	(34,701)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	(23,885)	10,898
Effects of foreign exchange rate changes	(11)	(82)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	(19,693)	(23,885)

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

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

	Current Period Ended 31 December 2017 RM'000	Corresponding Period Ended 30 June 2017 RM'000
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	7,260	2,777
Cash deposits placed with licensed banks	-	-
Less: Bank overdrafts	(26,953)	(26,662)
	<u>(19,693)</u>	<u>(23,885)</u>

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 SECOND QUARTER ENDED 31 DECEMBER 2017

A Explanatory Notes to the Unaudited Interim Financial Report for the period ended 31 December 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 SECOND QUARTER ENDED 31 DECEMBER 2017

A Explanatory Notes to the Unaudited Interim Financial Report for the period ended 31 December 2017 (Cont'd)

A9 Segmental Information

(a) Revenue by Business Activities

	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Distribution of third party brands of consumer packaged goods	91,789	111,112	196,018	197,077
Distribution of own brands of consumer packaged goods	712	1,669	1,706	3,014
Manufacturing of bakery products	1,302	1,765	2,634	3,321
Total	93,803	114,546	200,358	203,412

(b) Revenue by Geographical Market

	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
East Malaysia				
Sabah	59,773	78,446	132,673	150,909
Sarawak	23,565	31,665	48,114	44,014
Labuan	2,963	4,435	6,625	8,489
Brunei	7,502	-	12,946	-
Total	93,803	114,546	200,358	203,412

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 SECOND QUARTER ENDED 31 DECEMBER 2017

A Explanatory Notes to the Unaudited Interim Financial Report for the period ended 31 December 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 31 December 2017 RM'000
Approved and/or contracted for:	
- Construction of new warehousing facility in Kota Kinabalu, Sabah	1,947
Total	1,947

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 SECOND QUARTER ENDED 31 DECEMBER 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 31 December 2017 ("**Q2 2018**") decreased by RM20.75 million or 18.11% to RM93.80 million, from RM114.55 million for the preceding year's corresponding quarter ended 31 December 2016 ("**Q2 2017**"). Consequently, the Group recorded a loss before tax of RM156,000 for Q2 2018, from a profit before tax ("**PBT**") of RM1.21 million for Q2 2017. The decrease was mainly due to the following:

- (i) decrease in revenue contribution from our operations in Sabah due to the termination of contracts for the distribution of beverages by third party brands effective from 1 September 2017;
- (ii) decrease in revenue contribution from the closure of a government-owned chain of convenience stores in September 2017;
- (iii) increase in finance cost from RM1.61 million (Q2 2017) to RM2.03 million (Q2 2018) mainly due to the following:
 - investments in warehousing equipments in Sarawak which would allow the Group to accommodate expected new distributorships and hence optimising its capacity;
 - loan interest incurred for the construction of a new warehousing facility in Sabah which is expected to be completed in the first quarter of 2018;
 - interest incurred from higher inventory holding as a result of stocking up on grocery products for an existing supplier in preparation for the newly awarded distributorship in Brunei; and
 - longer term of payments from customers due to the challenging business environment.
- (iv) on going write-off of expired and damaged products as part of prudent inventory management practices.

B2 Comparative with Immediate Preceding Quarter's Results

The Group's PBT decreased from RM0.36 million for the immediate preceding quarter ended 30 September 2017 to a loss before tax of RM156,000 (Q2 2018) mainly due to the decrease in the Group's revenue by RM12.75 million or 12.97% from RM106.56 million for the immediate preceding quarter ended 30 September 2017 to RM93.80 million for Q2 2018.

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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017
B Additional Information Required by Appendix 9B of the Listing Requirements (Cont'd)
B3 Prospects

During the past financial year, our Group expanded our business infrastructure capacities and geographic presence in Sabah, Sarawak and Brunei. Our Group will focus on utilising the expanded capacities to generate higher revenue. Our Group was appointed as distributors for the following:

- (i) Nestle Products Sdn Bhd for Nestle grocery products to cater for the modern trade channel in Brunei;
- (ii) Heineken Marketing Malaysia Sdn Bhd for Kuching, Sibul and Sri Aman in Sarawak;
- (iii) L'Oreal Malaysia Sdn Bhd for L'Oreal consumer products under the brands of "L'Oreal Paris", "Maybelline" and "Garnier" for Sabah, Labuan and Sarawak;
- (iv) Oriental Food Industries Sdn Bhd for Sabah and Sarawak; and
- (v) Sincere Match & Tobacco Factory Sdn Bhd for Sabah, Sarawak and Brunei.

These additional distribution contracts are expected contribute positively to our Group's revenue moving forward.

In addition, our Group will continue reviewing and rationalising its 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.

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 31 December 2017 RM'000	Cumulative Quarter 31 December 2017 RM'000
Current tax assets	181	5
Deferred taxation	-	-
	181	5
Effective tax rate	116.03%	2.45%

The Group's effective tax rate is lower than the statutory tax rate of 24% mainly due to the recognition of deferred tax asset arising from the unutilised tax losses of subsidiaries.

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

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

B Additional Information Required by Appendix 9B of the Listing Requirements (Cont'd)**B6 (a) Status of Corporate Proposals**

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

(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:

		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 announcements 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 SECOND QUARTER ENDED 31 DECEMBER 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 31 December 2017 are as follows:

	Short-term RM'000	Long-term RM'000	Total RM'000
<u>Unsecured</u>			
Bankers' acceptances	80,651	-	80,651
Trust receipts	580	-	580
Bank overdrafts	26,953	-	26,953
Revolving credit	18,000	-	18,000
	126,184	-	126,184
<u>Secured</u>			
Term loans	1,116	17,129	18,245
Finance lease liabilities	1,750	3,576	5,326
	2,866	20,705	23,571
Total	129,050	20,705	149,755

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.

B10 Fair value changes of financial liabilities

The Group does not remeasure its financial liabilities at fair value after the initial recognition.

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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

B Additional Information Required by Appendix 9B of the Listing Requirements (Cont'd)**B11 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	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Profit attributable to ordinary equity owners of the Company	70	913	192	1,159
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)	0.01	0.18	0.04	0.23
Diluted EPS ⁽²⁾ (sen)	0.01	0.14	0.03	0.17

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.

B12 Dividends

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

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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

B Additional Information Required by Appendix 9B of the Listing Requirements (Cont'd)**B13 Notes to the Condensed Consolidated Statement of Comprehensive Income⁽¹⁾**

	Current Quarter ended		Year-to-date	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Profit before tax is arrived at after charging:-				
Depreciation of property, plant and equipment	972	839	1,947	1,645
Amortisation of intangible asset	19	20	39	40
Inventories written off	461	406	781	915
Bad debts written off	-	-	-	2
Finance costs	2,031	1,610	3,978	3,164
Loss on disposal of property, plant and equipment	2	-	2	-
Rental expenses	374	388	918	761
After crediting:-				
Interest income	(31)	(50)	(186)	(100)
Profit on disposal of property, plant and equipment	(54)	-	(54)	-

Note:

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