

KIM HIN JOO (MALAYSIA) BERHAD

(Company No. 37655-U)

The Board of Directors of KIM HIN JOO (MALAYSIA) BERHAD is pleased to announce the following unaudited consolidated results for the first quarter and financial period ended (“FPE”) 31 March 2019.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2019

Note	3 months ended		3 months ended	
	31.3.2019 RM'000	31.3.2018 RM'000	31.3.2019 RM'000	31.3.2018 RM'000
Continuing operations				
Revenue	24,233	23,010	24,233	23,010
Cost of sales	(11,805)	(11,068)	(11,805)	(11,068)
Gross profit	12,428	11,942	12,428	11,942
Other operating income	191	218	191	218
Selling and marketing costs	(361)	(493)	(361)	(493)
Administration and other operating expenses	(9,004)	(8,119)	(9,004)	(8,119)
Finance cost	(433)	-	(433)	-
Profit before tax	2,821	3,548	2,821	3,548
Tax expense	(886)	(832)	(886)	(832)
Profit from continuing operations	1,935	2,716	1,935	2,716
Discontinued operations				
Loss from discontinued operations, net of tax	-	(260)	-	(260)
Profit and total comprehensive income for the year	1,935	2,456	1,935	2,456
Basic earnings/(loss) per ordinary share (sen)				
- from continuing operations	0.64	0.89		
- from discontinued operations	-	(0.08)		
Total basic earnings per share	0.64	0.81		

The Condensed Consolidated Statement of Comprehensive Income is unaudited and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 19 June 2019 (“**Accountants' Report**”) and the accompanying explanatory notes attached to the interim financial statements herein.

KIM HIN JOO (MALAYSIA) BERHAD

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Note	As at 31.3.2019 RM'000	As at 31.12.2018 RM'000 (Audited)
ASSETS			
Non-current Assets			
Property, plant and equipment		3,700	4,074
Right of use assets		21,632	-
Deferred tax assets		318	169
		25,650	4,243
Current Assets			
Inventories		37,023	33,695
Trade receivables		2,198	1,455
Other receivables, deposits and prepaid expenses		5,771	5,571
Tax recoverable		99	526
Fixed deposits with licensed banks		739	739
Cash and bank balances		3,262	6,852
Amount due from other related companies		-	46
		49,092	48,884
TOTAL ASSETS		74,742	53,127
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		1,000	1,000
Reserves		39,249	37,747
TOTAL EQUITY		40,249	38,747
Non-current Liabilities			
Lease liabilities		16,020	-
Deferred tax liabilities		-	8
		16,020	8
Current Liabilities			
Lease liabilities		6,267	-
Trade payables		6,550	8,427
Other payables, accruals and provision		5,385	5,363
Tax liabilities		271	-
Amount due to other related companies		-	582
		18,473	14,372
TOTAL LIABILITIES		34,493	14,380
TOTAL EQUITY AND LIABILITIES		74,742	53,127
Net assets per ordinary share attributable to ordinary equity holders of the Company (Sen)		13.24	12.75

Note:

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Accountants' Report and the accompanying explanatory notes attached to the interim financial statements herein.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FPE 31 MARCH 2019

-----<-----Attributable to owners of the Company----->-----

<-- --Non Distributable Reserve--> Distributable

	Share Capital RM'000	Retained Earnings RM'000	Total RM'000
Balance as at 1 January 2018	1,000	61,119	62,119
Total comprehensive income for the period	-	2,456	2,456
Balance as at 31 March 2018	1,000	63,575	64,575
Balance as at 1 January 2019	1,000	37,747	38,747
Effect of adopting MFRS 16	-	(433)	(433)
Balance as at 1 January 2019 (Restated)	1,000	37,314	38,314
Total comprehensive income for the period	-	1,935	1,935
Balance as at 31 March 2019	1,000	39,249	40,249

Note:

The Condensed Consolidated Statement of Changes in Equity is unaudited and should be read in conjunction with the Accountant's Report and the accompanying explanatory notes attached to the interim financial statements herein.

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**UNAUDITED CONDENSED CONSOLIDATED CASH FLOWS STATEMENT
FOR THE FPE 31 MARCH 2019**

	Current Quarter Ended 31.3.2019 RM'000	Preceding Year Corresponding Quarter Ended 31.3.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	2,821	3,548
Loss before tax from discontinued operation	-	(201)
Total Profit before tax	2,821	3,347
Adjustments:		
Depreciation	551	742
Amortization of right of use asset	1,600	-
Finance costs	433	1
Unrealised loss / (gain) on foreign exchange	51	(14)
Interest income	(25)	(78)
Reversal of allowance of doubtful debt	-	4
Inventories		-
- (Reversal) / Allowance for slow moving	(25)	2
- Written off	51	22
Operating profit before changes in working capital	5,457	4,026
Changes in working capital:		
(Increase) / Decrease in		
Inventories	(3,353)	1,730
Trade receivables	(744)	(93)
Other receivables, deposits and prepaid expenses	(200)	(598)
Increase / (Decrease) in		-
Trade payables	(1,935)	(3,287)
Other payables, accrued expenses and provision	24	(193)
Cash (used in)/generated from operations	(751)	1,585
Income tax paid	(209)	(501)
Net cash (used in)/generated from operating activities	(960)	1,084
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(177)	(284)
Interest received	25	77
Decrease in amount due from other related companies	46	-
Net cash used in investing activities	(106)	(207)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Repayment of lease liabilities	(1,945)	-
Repayment of finance costs - borrowing	-	(1)
Amount due to ultimate holding company	-	(77)
Amount due to other related parties	(586)	(576)

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	Current Quarter Ended 31.3.2019	Preceding Year Corresponding Quarter Ended 31.3.2018
Drawdown of borrowing	-	126
Repayment of borrowing	-	(123)
Net cash used in financing activities	(2,531)	(651)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(3,597)	226
Effect of exchange rate differences on the balance of cash held in foreign currencies	8	27
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	6,851	15,696
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	3,262	15,949
Cash and cash equivalents comprise:		
Fixed deposits	739	6,037
Cash and bank balances	3,262	9,912
	4,001	15,949
Less: Fixed deposits pledged with licensed banks	(739)	-
	3,262	15,949

Note:

The condensed consolidated cash flow statement is unaudited and should be read in conjunction with the Accountants' Report and the accompanying explanatory notes attached to the interim financial statements herein.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FIRST QUARTER ENDED 31 MARCH 2019

A COMPLIANCE WITH MALAYSIA FINANCIAL REPORTING STANDARD (MFRS) 134: INTERIM FINANCIAL REPORTING AND THE ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”) (“LISTING REQUIREMENTS”)

A1 Basis of preparation

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with all the new MFRSs, Amendments to MFRSs and IC Interpretation issued by the Malaysian Accounting Standards Board (“MASB”) and Rule 9.22 and Appendix 9B of the Listing Requirements.

These condensed consolidated interim financial statements should be read in conjunction with the Accountant’ Report and the accompanying explanatory notes therein. The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transaction that are significant to an understanding of the changes in the financial position and performance of Kim Hin Joo (Malaysia) Berhad and its subsidiary (“Group”) since the financial year ended (“FYE”) 31 December 2018.

A2 Changes in Accounting Policies

The accounting policies and methods of computation adopted by the Group in these quarterly financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 December 2018 except for the adoption of MFRS 16 Leases that became effective and relevant to the Group for the financial period beginning 1 January 2019 as discussed below:

MFRS 16 ‘Leases’ supersedes MFRS 117 ‘Leases’

MFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on the statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The statement of profit or loss and other comprehensive income will also be affected because the total expenses is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest expense and depreciation, so key metrics like earnings before interest, tax, depreciation and amortisation (“EBITDA”) will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest expense can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under MFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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The Group has assessed and recognized a right-of-use assets of RM 23,231,755, lease liabilities of RM 23,801,721 and deferred tax assets of RM 136,792 in respect of all leases as at 1 January 2019. Correspondingly, the retained earnings decreased by RM 433,174.

The adoption of MFRS 16 has resulted in the changes in the Group's accounting policies. The effect arising from these changes on the statement of financial position of the Group are as follow:

	As at 31.12.2018	Effect on adoption of MFRS 16	As at 01.01.2019
	RM'000	RM'000	RM'000
Non-current Assets			
Right of use assets	-	23,232	23,232
Deferred tax assets	169	129	298
Deferred tax liabilities	(8)	8	-
Equity			
Retained earnings	37,747	(433)	37,314
Non-current Liabilities			
Lease liabilities	-	17,997	17,997
Current Liabilities			
Lease liabilities	-	5,805	5,805

A3 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the preceding audited financial statements of the Group for the FYE 31 December 2018 were not subject to any qualification.

A4 Seasonality

The Group may experience seasonal increase in sales during its sales periods, which are carried out 4 to 5 times a year, being the Super Sale, Anniversary Sale, Mid-Year Mega Sale, Merdeka Sale and Year End Sale, as well as festive celebrations such as Chinese New Year, Hari Raya and Christmas celebrations.

A5 Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter 31 March 2019.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FIRST QUARTER ENDED 31 MARCH 2019

A6 Changes in Estimates

There were no changes in estimates that have had a material effect in the current quarter results.

A7 Changes in Debt and Equity Securities

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter.

A8 Dividends Paid

There was no dividend paid for the current quarter.

A9 Operating segments

The business segment of the Group comprises Retail and Distribution.

The segmental analysis of the Group's revenue by business segments are set out as follows:

	3 months ended		3 months ended	
	31.3.2019	31.3.2018	31.3.2019	31.3.2018
	RM'000	RM'000	RM'000	RM'000
Retail	20,634	18,883	20,634	18,883
Distribution	3,599	4,127	3,599	4,127
Total	24,233	23,010	24,233	23,010

A10 Valuation of Property, Plant and Equipment

There were no valuations of property, plant and equipment during the current quarter under review.

A11 Subsequent Event

There were no material events subsequent to the end of the current quarter.

A12 Changes in the Composition of the Group

There were no changes in the composition of the Group for the current quarter.

A13 Contingent liabilities or contingent assets

There were no contingent liabilities or contingent assets as at the date of this interim financial report.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FIRST QUARTER ENDED 31 MARCH 2019

A14 Significant related party transactions

Save as disclosed below, there was no other significant related party transactions for the current quarter under review:

	3 months ended	3 months ended
	31.3.2019	31.3.2018
	RM'000	RM'000
Purchases	339	211
Sales	211	302
Rental payable	300	-
E-Commerce management fees payable	62	37
Corporate management fees payable	175	302

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FIRST QUARTER ENDED 31 MARCH 2019

B COMPLIANCE WITH APPENDIX 9B OF THE LISTING REQUIREMENTS

B1 Review of Performance

The Group recorded revenue of RM24.23 million and gross profit of RM12.43 million for the current quarter which represented an increase of 5.31% and 4.07% respectively, compared to the previous corresponding quarter. The Group managed to maintain gross profit margin at 51.29% in the current quarter, which is fairly consistent with the gross profit margin of 51.90% recorded in the preceding quarter ended 31 March 2018. The major contributor to the revenue stream of the Group was from the Retail segment, recording sales totalling RM20.63 million and accounted for 85.15% of the total revenue for the current quarter.

In the current quarter, the Group has expensed a total of RM0.49 million related to one-off listing expenses resulting in a profit before tax of RM2.82 million. If not for the one-off listing expenses, the Group's profit before taxation would be RM3.31 million which is relatively consistent with profit before taxation of RM3.35 million (which included loss from discontinued operation of RM0.20 million) recorded in the corresponding quarter ended 31 March 2018.

B2 Comment on material change in profit before taxation

	Current Quarter 31.3.2019 RM'000	Preceding Quarter 31.3.2018 RM'000	Variance RM'000	%
Revenue	24,233	23,010	1,223	5.31
Profit Before Taxation	2,821	3,347*	(526)	(15.72)

*Included loss from discontinued operation of RM 0.20 million

Revenue for the current quarter increased by 5.31% (RM1.22 million) as compared to the revenue recorded in the preceding quarter. This was mainly due to the expansion of our existing outlet at KLCC from 9,554 sq ft to 12,949 sq ft on 28th September 2018, which lead to a sales growth of 22% for the said outlet, as well as the growth in sales from some of the existing outlets of the Group.

Although the Group's revenue has increased for the current quarter, the Group recorded a lower profit before taxation for the current quarter 31 March 2019. This was mainly attributable to one-off listing expenses of RM0.49 million incurred in the current quarter under review.

B3 Variance between Actual Profit and Forecast Profit

The Group has not provided any revenue or profit forecast in any public documents and announcements.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FIRST QUARTER ENDED 31 MARCH 2019

B4 Taxation

	3 months ended		3 months ended	
	31.3.2019	31.3.2018	31.3.2019	31.3.2018
	RM'000	RM'000	RM'000	RM'000
Current tax	906	832	906	832
Deferred tax	(20)	-	(20)	-
Total	886	832	886	832

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit before tax (excluding discontinued operations) for the current quarter and current financial year.

The effective tax rates of the Group for the current quarter and current year-to-date were slightly higher than the Malaysia statutory tax rate due mainly to certain non-deductible expenses by the Group.

B5 Unquoted investments and properties

There were no purchases or sales of unquoted investment or properties for the current quarter.

B6 Quoted securities

There were no acquisitions or disposals of quoted securities for the current quarter and the financial period to date.

B7 Status of Corporate Proposals

There is no corporate proposal announced but pending completion as at the date of this report.

B8 Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at the end of current quarter to the date of the interim financial report.

B9 Material Litigation

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

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FIRST QUARTER ENDED 31 MARCH 2019

B10 Earnings Per Share (“EPS”)

	3 months ended		3 months ended	
	31.3.2019	31.3.2018	31.3.2019	31.3.2018
BASIC EPS				
Profit attributable to owners of the Company (RM'000)	1,935	2,456	1,935	2,456
Weighted average number of ordinary shares in issue ('000)	304,000	304,000	304,000	304,000
Basic EPS (sen)	0.64	0.81	0.64	0.81

There was no dilution in the earning per share as there was no potential diluted ordinary share outstanding as at the end of the current period under review.

B11 Notes to the Statement of Comprehensive Income

	As at 31.3.2019 RM'000	As at 31.3.2018 RM'000
(Reversal)/Allowance for slow moving inventories	(25)	2
Inventories written-off	51	22
Auditors' remuneration	28	15
Depreciation	551	593
Amortization of right of use assets	1,600	-
(Gain) / Loss on foreign exchange:		
- Realised	(32)	(47)
- Unrealised	51	(14)
Interest income	(25)	(78)
Finance costs	433	1

B12 Authorisation for issue

The interim financial report was authorised for issue by the Board in accordance with a resolution of the Board dated 27th May 2019.