



Kim Hin Joo (Malaysia) Berhad 197801000642 (37655-U)

Wisma Pang Cheng Yean, Lot 5205C, Jalan Perindustrian Balakong Jaya 1/3, Kawasan Perindustrian Balakong Jaya, 43300 Seri Kembangan, Selangor, Malaysia. General Line +603 8940 6638

The Board of Directors of KIM HIN JOO (MALAYSIA) BERHAD is pleased to announce the following unaudited consolidated results for the second quarter and financial period ended (“FPE”) 30 June 2020.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER AND FPE 30 JUNE 2020

	3 months ended		6 months ended	
	30.06.2020	30.06.2019	30.06.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
Revenue	16,963	25,652	36,583	49,885
Cost of sales	(8,991)	(12,336)	(18,885)	(24,141)
Gross profit	7,972	13,316	17,698	25,744
Other operating income	305	136	720	327
Selling and marketing costs	(301)	(459)	(725)	(820)
Administration and other operating expenses	(6,980)	(8,665)	(14,517)	(17,669)
Finance cost	(302)	(473)	(613)	(906)
Profit before tax	694	3,855	2,563	6,676
Tax expense	(226)	(900)	(813)	(1,786)
Profit and total comprehensive income for the period	468	2,955	1,750	4,890
Basic earnings/(loss) per ordinary share (sen)	0.12	0.97	0.46	1.61

The unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	As at 30.06.2020 RM'000	As at 31.12.2019 RM'000 (Audited)
ASSETS		
Non-Current Assets		
Property, plant and equipment	5,189	4,487
Right of use assets	23,586	25,060
Deferred tax assets	438	549
Refundable deposits	2,943	2,725
	32,156	32,821
Current Assets		
Inventories	38,253	34,611
Trade receivables	1,219	1,203
Other receivables, deposits and prepaid expenses	4,601	1,954
Amount due from other related companies	3	-
Tax recoverable	889	93
Short-term investment	1,845	-
Fixed deposits with licensed banks	17,114	25,762
Cash and bank balances	10,732	14,473
	74,656	78,096
TOTAL ASSETS	106,812	110,917



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	As at 30.06.2020 RM'000	As at 31.12.2019 RM'000 (Audited)
Equity attributable to owners of the parent		
Share capital	31,128	31,128
Reserves	42,784	44,834
TOTAL EQUITY	73,912	75,962
Non-Current Liabilities		
Lease liabilities	17,016	18,581
Deferred tax liabilities	-	^
	17,016	18,581
Current Liabilities		
Trade payables	2,243	4,111
Other payables, accrued expenses and provision	5,817	5,090
Amount due to other related companies	251	30
Lease liabilities	7,314	7,083
Tax liabilities	259	60
	15,884	16,374
TOTAL LIABILITIES	32,900	34,955
TOTAL EQUITY AND LIABILITIES	106,812	110,917
Net assets per ordinary share attributable to ordinary equity holders of the Company (Sen)	19.45	19.99

^ Negligible

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FPE 30 JUNE 2020

	←-----Attributable to owners of the Company-----→		
	←--Distributable Reserve--→		
	Share Capital RM'000	Retained Earnings RM'000	Total RM'000
Balance as at 1 January 2019	1,000	37,747	38,747
Effect of adopting MFRS 16 (Note A2)	-	(433)	(433)
Balance as at 1 January 2019 (Restated)	1,000	37,314	38,314
Total comprehensive income for the period	-	4,890	4,890
Balance as at 30 June 2019	1,000	42,204	43,204
Balance as at 1 January 2020	31,128	44,834	75,962
Total comprehensive income for the period	-	1,750	1,750
Dividends paid (10 April 2020)	-	(3,800)	(3,800)
Balance as at 30 June 2020	31,128	42,784	73,912

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FPE 30 JUNE 2020**

	6 Months Ended 30.06.2020 RM'000	6 Months Ended 30.06.2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	2,563	6,676
Adjustments:		
Depreciation for property, plant and equipment	1,390	1,192
Amortisation of right-of-use asset	3,938	3,301
Lease interest expense	607	906
Finance costs on unwinding of interest expense of provision for restoration cost	6	-
Unwinding of interest income – refundable deposit	(73)	-
Inventories		
- Provision / (Reversal) for slow moving	-	(26)
- Written off	4	62
Unrealised loss / (gain) on foreign exchange	(37)	10
Gain on modification / termination of MFRS 16	(84)	-
Interest income	(414)	(53)
Operating profit before changes in working capital	7,900	12,068
Changes in working capital:		
(Increase) / Decrease in		
Inventories	(3,645)	(4,624)
Trade receivables	(16)	(309)
Other receivables, deposits and prepaid expenses	(2,843)	(1,704)
Increase / (Decrease) in		
Trade payables	(1,863)	23
Other payables, accrued expenses and provision	671	(471)
Cash generated from operations	204	4,983
Income tax paid	(1,300)	(1,013)
	-	-
Net cash (used in) / generated from operating activities	(1,096)	3,970
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(2,092)	(1,198)
Interest received	414	53
(Increase) / Decrease in amount due from other related companies	(3)	39
Net cash used in investing activities	(1,681)	(1,106)



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FPE 30 JUNE 2020**

	6 Months Ended 30.06.2020 RM'000	6 Months Ended 30.06.2019 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(4,222)	(3,824)
Dividends paid	(3,800)	-
Increase / (Decrease) in amount due to other related companies	231	(582)
Net cash used in financing activities	(7,791)	(4,406)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,568)	(1,542)
Effect of exchange rate differences on the balance of cash held in foreign currencies	24	(1)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	39,496	6,852
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	28,952	5,309
Cash and cash equivalents comprise:		
Short-term investment	1,845	-
Fixed deposits	17,114	739
Cash and bank balances	10,732	5,309
	29,691	6,048
Less: Fixed deposits pledged with licensed banks	(739)	(739)
	28,952	5,309

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.



**NOTES TO THE INTERIM FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2020**

A COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (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 Malaysian Financial Reporting Standards (“**MFRS**”) and Amendments to MFRSs issued by the Malaysian Accounting Standards Board (“**MASB**”) and Rule 9.22 and Appendix 9B of the Listing Requirements.

The unaudited condensed consolidated interim financial statements should be read in conjunction with audited financial statements for the financial year ended (“**FYE**”) 31 December 2019 and the accompanying explanatory notes therein. The explanatory notes attached to these unaudited 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 Kim Hin Joo (Malaysia) Berhad and its subsidiaries (“**Group**”) since FYE 31 December 2019.

A2 Significant Accounting Policies

The accounting policies adopted by the Group in these condensed consolidated interim financial statements are consistent with those adopted in the audited financial statements for the FYE 31 December 2019, save for the adoption of the following amendments to MFRS, which became effective and relevant to the Group for financial period beginning 1 January 2020:

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to References to the Conceptual Framework in MFRS Standards	

The adoption of the above standards, interpretation or amendments are not expected to have any material impact to the financial statements of the Group.

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 2019 was not subject to any qualification.



NOTES TO THE INTERIM FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2020

A4 Seasonality

The Group's operations are primarily in the retail sector and may hence 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

Except for the Novel Coronavirus 2019 ("COVID-19") pandemic and the subsequent implementation of Movement Control Order ("MCO") announced on 16 March 2020, there were no other unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter 30 June 2020. The temporary closure of all our retail outlets from 18 March 2020 to 4 May 2020 (as required under the MCO) had materially affected the operations and financial performance of the Group. In particular, the revenue of the Group was affected by the temporary closure of the retail outlet operations as the Group was only able to solely rely on its existing online platform to conduct sales.

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 or repayments of debt and equity securities during the current financial quarter.

A8 Dividends Paid

The Board of Directors of the Company ("**Board**") had previously on 27 February 2020 declared a second interim single tier tax-exempt dividend in respect of the financial year ending 31 December 2019 of 1.0 sen per ordinary share amounting to RM3,800,000 which was paid on 10 April 2020.



NOTES TO THE INTERIM FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2020

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		6 months ended	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
Retail	12,858	21,508	29,208	42,142
Distribution	4,105	4,144	7,375	7,743
Total	16,963	25,652	36,583	49,885

The major contributor to the revenue stream of the Group for FPE 30 June 2020 was from the retail segment, recording sales totalling RM29.21 million (representing a decrease in sales of approximately 30.69% as compared to the retail sales recorded in the previous financial period). The decrease was mainly due to the impact from COVID-19 outbreak, the temporary closure of the retail outlet operations from 18 March 2020 to 4 May 2020 and the delay in goods received due to the China lockdown in the first quarter of year 2020. The sales from the retail segment accounted for approximately 79.84% of the total revenue for the FPE 30 June 2020.

A10 Valuation of Property, Plant and Equipment

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

A11 Material Subsequent Event

There are no material events subsequent to the end of the current financial period under review.

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.



NOTES TO THE INTERIM FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2020

A14 Recurrent Related Party Transactions (“RRPT”)

Save as disclosed below, there was no other RRPT for the FPE 30 June 2020:

	6 months ended 30.06.2020 RM’000	6 months ended 30.06.2019 RM’000
Purchases	984	500
Sales	244	568
Rental payable*#	455	600
E-Commerce management fees payable	124	125
Corporate management fees payable	97	236

** The Group has entered into rental arrangement with Cheng Yean Properties Sdn Bhd (“Cheng Yean”) (a related party) to lease the properties owned by Cheng Yean, ie our current headquarter and warehouses. The said rental arrangement took effect from 1 July 2018 onwards.*

The Group had received a rent rebate from Cheng Yean for the period from 18 March 2020 to 30 April 2020



NOTES TO THE INTERIM FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2020

B COMPLIANCE WITH APPENDIX 9B OF THE LISTING REQUIREMENTS

B1 Review of Performance

	Individual Period (2 nd Quarter)				Cumulative Period (6 Months)			
	Current Year Quarter 30 June 2020	Preceding Year Corresponding Quarter 30 June 2019	Variance		Current Year-to- date 30 June 2020	Preceding Year Corresponding Period 30 June 2019	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	16,963	25,652	(8,689)	(33.87)	36,583	49,885	(13,302)	(26.67)
Gross Profit	7,972	13,316	(5,344)	(40.13)	17,698	25,744	(8,046)	(31.25)
Profit Before Tax	694	3,855	(3,161)	(82.00)	2,563	6,676	(4,113)	(61.61)

The Group's revenue has decreased by 33.87% (RM8.69 million) quarter on quarter and 26.67% (RM13.30 million) year on year respectively. This was mainly due to the impact from COVID-19 outbreak, the temporary closure of the retail outlet operations from 18 March 2020 to 4 May 2020 and the delay in goods received due to the China lockdown in the first quarter of year 2020.

As a result, the Group recorded profit before tax of RM0.69 million for the current quarter and RM2.56 million for the current financial period ended 30 June 2020.



NOTES TO THE INTERIM FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2020

B2 Comment on material change in profit before taxation for current quarter compared with the immediate preceding quarter

	Current Quarter 30 June 2020	Immediate Preceding Quarter 31 March 2020	Variance	
	RM'000	RM'000	RM'000	%
Revenue	16,963	19,620	(2,657)	(13.54)
Gross Profit	7,972	9,726	(1,754)	(18.03)
Gross Profit Margin	47.00%	49.57%		
Profit Before Tax	694	1,869	(1,175)	(62.87)

Revenue and profit before tax for the current quarter ended 30 June 2020 decreased by 13.54% (RM2.66 million) and 62.87% (RM1.18 million) respectively compared to the immediate preceding quarter ended 31 March 2020. The decrease was mainly due to the drop in revenue mainly resulting from the temporary closure of the Group's retail outlets for the period from 1 April 2020 to 4 May 2020.

B3 Prospects

For 2020, the global economic outlook is greatly influenced by the Covid-19 pandemic. Implementation of the MCO and its subsequent closure of retail outlets have affected our operations and is impacting the financial performance of the Group.

We expect it will take some time for consumer sentiment to recover from the effects of the Covid-19. To mitigate this, the Group is focused on enhancing cash flows, containing cost, improving productivity and revenue.

The Group has expanded into the toy sector with the opening of our first The Entertainer toy outlet in Sunway Pyramid Shopping Mall on 19 June 2020 and two (2) additional outlets will be opened in the last quarter of year 2020.

Supported by accommodative macro policies that include the Malaysian government's economic stimulus package, we are cautiously optimistic to see growth recover in the last quarter of 2020. We believe that KHJ, being one of the most reputable and established retail companies in the country, will benefit from the anticipated increase in birth rate.

B4 Variance between Actual Profit and Forecast Profit

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



NOTES TO THE INTERIM FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2020

B5 Taxation

	3 months ended		6 months ended	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
Current tax	250	970	703	1,876
Deferred tax	(24)	(70)	110	(90)
Total	226	900	813	1,786

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit before tax for the current quarter and current financial period.

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

B6 Unquoted investments and properties

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

B7 Quoted securities

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

B8 Status of Corporate Proposals

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

B9 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.



NOTES TO THE INTERIM FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2020

B10 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.

B11 Earnings Per Share (“EPS”)

	3 months ended		6 months ended	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
BASIC EPS				
Profit attributable to owners of the Company (RM'000)	468	2,955	1,750	4,890
Weighted average number of ordinary shares in issue ('000)	380,000	304,000	380,000	304,000
Basic EPS (sen)	0.12	0.97	0.46	1.61

Notes:

The basic earnings per share is computed based on profit after tax attributable to the owners of the Company and divided by the weighted average number of shares in issue as at 30 June 2020.

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.



**NOTES TO THE INTERIM FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2020**

B12 Notes to the Statement of Comprehensive Income

	3 months ended 30.06.2020 RM'000	Year-to-date ended 30.06.2020 RM'000
The following items have been charged / (credited) in arriving profit from operations:		
Provision / (reversal) for slow moving inventories	-	-
Inventories written-off	(1)	4
Auditors' remuneration	60	108
Depreciation for property, plant and equipment	710	1,390
Amortization of right-of-use assets	1,959	3,938
(Gain) / Loss on foreign exchange:		
- Realised	(9)	(25)
- Unrealised	(6)	(37)
Interest income	(183)	(414)
Gain on modification / termination of MFRS 16	-	(84)
Lease interest expense	299	607
Finance costs on unwinding of interest expense of provision for restoration cost	3	6
Unwinding of interest income – refundable deposit	(38)	(73)



NOTES TO THE INTERIM FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2020

B13 Utilisation of Proceeds Raised from Public Issue

The gross proceeds arising from the Public Issue amounting to RM32.68 million is intended to be utilised in the following manner:

Details of use of proceeds	Proposed Utilisation	Actual Utilisation	Deviation	Estimated Timeframe for Utilisation
	RM'000	RM'000	RM'000	
1. Business expansion and capital expenditure				
a. Expansion of the Group's retail network	10,000	2,649	-	Within 36 months
b. Expansion of the Group's toys range by opening and operating The Entertainer toy outlets	5,000	2,248	-	Within 36 months
c. Revamp and upgrade our back-end IT infrastructure system and e-commerce platform	3,000	20	-	Within 36 months
d. Expansion or relocation of our existing outlets	2,000	-	-	Within 36 months
2. Working capital				
a. To support the day-to-day operation cost, including inventory and operational overheads, maintenance and upkeep, expansion of workforce and advertisement and promotional activities	4,880	4,880	-	Within 24 months
b. Expansion of product range offered under distribution segment	4,000	2,899	-	Within 24 months
3. Estimated listing expenses	3,800	3,800	-	Within 3 months
	32,680	16,496	-	

The utilisation of the proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 19 June 2019.

B14 Authorisation for issue

The interim financial report was authorised for issue by the Board in accordance with a resolution of the Board dated 28 August 2020.