



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

INTERIM FINANCIAL REPORT FOR THE FIRST (2ND) QUARTER ENDED 31 December 2020

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

	Quarter Ended		Period to Date Ended	
	31-Dec-2020 RM'000	31-Dec-2019 RM'000	31-Dec-2020 RM'000	31-Dec-2019 RM'000
Revenue	166,474	171,193	338,788	328,505
Cost of sales	(148,744)	(151,214)	(303,869)	(291,191)
Gross profit	17,730	19,979	34,919	37,314
Other operating income	362	840	1,371	1,257
Administrative expenses	(4,866)	(5,289)	(9,731)	(10,361)
Selling and distribution expenses	(7,377)	(9,176)	(14,942)	(16,595)
Other expenses	(323)	(379)	(1,562)	(1,066)
Profit from operations	5,526	5,975	10,055	10,549
Finance costs	(1,384)	(2,343)	(2,792)	(4,986)
Profit before tax	4,142	3,632	7,263	5,563
Income tax expense	(1,095)	(981)	(2,176)	(1,445)
Profit for the financial period	3,047	2,651	5,087	4,118
Other comprehensive income/(loss)				
Item that may be reclassified subsequently to profit or loss:				
Exchange difference on translation of a foreign operation	19	35	(112)	(67)
Total comprehensive income for the financial period	3,066	2,686	4,975	4,051



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

	Quarter Ended		Period to Date Ended	
	31-Dec-2020	31-Dec-2019	31-Dec-2020	31-Dec-2019
	RM	RM	RM	RM
Profit attributable to:				
Owners of the Company	2,655	2,434	4,705	4,162
Non-controlling interests	392	217	382	(44)
	<u>3,047</u>	<u>2,651</u>	<u>5,087</u>	<u>4,118</u>
Total comprehensive income attributable to:				
Owners of the Company	2,666	2,455	4,638	4,122
Non-controlling interests	400	231	337	(71)
	<u>3,066</u>	<u>2,686</u>	<u>4,975</u>	<u>4,051</u>
Earning per share attributable to the Company:				
Basic (sen)	0.40	0.48	0.70	0.82
Diluted (sen)	0.40	0.36	0.70	0.62

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 31-Dec-2020 RM'000 Unaudited	As at 30-Jun-2020 RM'000 Audited
<u>ASSETS</u>		
Non-current assets		
Property, plant and equipment	98,963	100,412
Goodwill on consolidation	5,981	5,981
Total non-current assets	104,944	106,393
Current assets		
Inventories	98,570	105,924
Trade and other receivables	104,451	134,338
Tax recoverable	102	1,193
Cash and bank balances	16,596	2,012
Total current assets	219,719	243,467
TOTAL ASSETS	324,663	349,860
<u>EQUITY AND LIABILITIES</u>		
Equity attributable to owners of the Company		
Share capital	99,360	99,360
Other reserves	30,182	30,249
Reorganisation deficit	(47,962)	(47,962)
Retained earnings	35,466	30,761
	117,046	112,408
Non-controlling interests	4,782	4,445
TOTAL EQUITY	121,828	116,853
Non-current liabilities		
Loans and borrowings	21,178	21,693
Deferred tax liabilities	11,547	11,522
Total non-current liabilities	32,725	33,215



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

	As at 31-Dec-2020 RM'000 Unaudited	As at 30-Jun-2020 RM'000 Audited
Current liabilities		
Trade and other payables	50,260	46,218
Loans and borrowings	119,418	152,879
Taxation	432	695
Total current liabilities	170,110	199,792
TOTAL LIABILITIES	202,835	233,007
TOTAL EQUITY AND LIABILITIES	324,663	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	-	-	-	-	4,705	4,705	382	5,087
Other comprehensive loss - Foreign currency translation	-	-	(67)	-	-	(67)	(45)	(112)
Total comprehensive income/(loss) for the financial period	-	-	(67)	-	4,705	4,638	337	4,975
Balance at 31 December 2020	99,360	30,342	(160)	(47,962)	35,466	117,046	4,782	121,828



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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
	Share capital RM'000	Revaluation reserve RM'000	Exchange reserve RM'000	Reorganisation deficit 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	-	-	-	-	4,162	4,162	(44)	4,118
Other comprehensive loss - Foreign currency translation	-	-	(40)	-	-	(40)	(27)	(67)
Total comprehensive income/(loss) for the financial period	-	-	(40)	-	4,162	4,122	(71)	4,051
Balance at 31 December 2019	99,360	27,898	(150)	(47,962)	31,512	110,658	3,783	114,441

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 (2ND) QUARTER ENDED 31 December 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Period to Date Ended	
	31-Dec-2020 RM'000	31-Dec-2019 RM'000
Cash Flows from operating activities		
Profit before taxation	7,263	5,563
Adjustments for:		
Bad debts written off	26	75
Reversal of bad debts written off	(13)	(1)
Depreciation of property, plant and equipment	2,883	2,332
Gain on disposal of property, plant and equipment	(187)	-
Loss on disposal of property, plant and equipment	-	2
Interest expenses	2,792	4,986
Interest income	(54)	(97)
Inventories written off	1,770	988
Impairment loss on trade receivables	-	878
Reversal of impairment on financial assets	(235)	-
Unrealised gain on foreign exchange	(264)	-
Operating profit before working capital changes	13,981	14,726
Change in inventories	5,584	7,585
Change in receivables	30,373	(10,104)
Change in payables	4,101	(252)
Cash generated from operating activities	54,039	11,955
Income tax paid	(1,323)	(1,817)
Interests paid	(232)	(1,149)
Interests received	54	97
Net cash generated from operating activities	52,538	9,086
Cash flows from investing activities		
Acquisition of property, plant and equipment	(798)	(510)
Proceeds from disposal of property, plant and equipment	240	23
Net cash used in investing activities	(558)	(487)



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

	Period to Date Ended	
	31-Dec-2020 RM'000	31-Dec-2019 RM'000
Cash flows from financing activities		
Net payments of bankers' acceptances	(20,108)	(14,666)
Net payments of term loans	(161)	(582)
Net payments of lease liabilities	(690)	(975)
Net payments of hire purchase payables	(599)	-
Net payments of trust receipts	(439)	(9,715)
Interests paid	(2,560)	(3,837)
Net cash used in financing activities	(24,557)	(29,775)
Net increase/(decrease) in cash and cash equivalents	27,423	(21,176)
Effect of exchange rate fluctuations	(112)	(67)
Cash and cash equivalents at beginning of the financial period	(13,819)	(23,186)
Cash and cash equivalents at end of the financial period	13,492	(44,429)

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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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	
	31-Dec-2020 RM'000	31-Dec-2019 RM'000	31-Dec-2020 RM'000	31-Dec-2019 RM'000
Distribution of consumer package goods	162,705	169,155	332,351	324,553
Manufacturing of bakery products	3,769	2,038	6,437	3,952
	<u>166,474</u>	<u>171,193</u>	<u>338,788</u>	<u>328,505</u>



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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	
	31-Dec-2020 RM'000	31-Dec-2019 RM'000	31-Dec-2020 RM'000	31-Dec-2019 RM'000
Sabah	90,262	109,477	185,286	169,027
Sarawak	49,917	36,510	100,577	111,519
Labuan and others	26,295	25,206	52,925	47,959
	<u>166,474</u>	<u>171,193</u>	<u>338,788</u>	<u>328,505</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

There 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	
	31-Dec-2020	31-Dec-2019	RM'000	%	31-Dec-2020	31-Dec-2019
	RM'000	RM'000	RM'000	%	RM'000	RM'000
Revenue	166,474	171,193	(4,719)	-2.76%	338,788	328,505
Profit before tax	4,142	3,632	510	14.04%	7,263	5,563

Comparison with preceding period's corresponding quarter

The Group recorded decrease in revenue by RM4.72 million or 2.76% to RM166.47 million as compared to RM171.19 million in financial quarter ended 31 December 2019. The decrease was mainly attributed to the reduction in demand of personal care and cosmetics products and alcoholic beverage during this financial quarter as a result of the Movement Control Order ("MCO") implemented by the Malaysian Government during this financial quarter.

Despite the recent outbreak of Covid-19 pandemic has disrupted the supply chains and contributing to short-term market uncertainties, the Group has continued to put effort in upholding the business and registered a profit before tax of RM4.14 million for the current financial quarter as compared to the profit before tax of RM3.63 million in the financial quarter ended 31 December 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 31-Dec-2020	Immediate Preceding Quarter 30-Sep-2020	Variance	
	RM'000	RM'000	RM'000	%
Revenue	166,474	172,314	(5,840)	-3.39%
Profit before tax	4,142	3,121	1,021	32.71%

The Group's revenue for the current financial quarter ended 31 December 2020 decreased by RM5.84 million or 3.39% to RM166.47 million as compared to RM172.31 million in the preceding financial quarter ended 30 September 2020 and the Group's profit before tax for the current financial quarter of RM4.14 million represented an increase in profit before tax of RM1.02 million or 32.71% as compared to RM3.12 million in the preceding financial quarter.

The increase in profit before tax for the current financial quarter was mainly attributable to higher margin arising from foods and beverage.

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 a safe 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 31-Dec-2020 RM'000	Period to Date Ended 31-Dec-2020 RM'000
Current taxation	1,079	2,120
Underprovision of tax expenses in prior year	32	32
Deferred tax expenses	(16)	24
	<u>1,095</u>	<u>2,176</u>

Income tax is calculated at the Malaysian statutory tax rate of 24% 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	
	31-Dec-2020 RM'000	31-Dec-2019 RM'000	31-Dec-2020 RM'000	31-Dec-2019 RM'000
Reversal of bad debts written off	(4)	-	(13)	(1)
Interest income	(25)	(35)	(54)	(97)
Rental incomes				
- Motor vehicles	(80)	(69)	(163)	(144)
- Warehouse and offices	(4)	(182)	(60)	(223)
Supply chain income	(147)	(138)	(273)	(267)
Reversal of impairment loss on financial assets	(137)	-	(235)	-
Auditors' remuneration				
- Statutory audit	76	71	136	125
Bad debts written off	26	-	26	75
Depreciation of property, plant and equipment	1,470	1,141	2,883	2,332
Impairment loss on trade receivables	-	878	-	878
Inventories written off	531	376	1,770	988
Interest expenses	1,384	2,343	2,792	4,986
Loss on disposal of property, plant and equipment	-	2	-	2
Rental expenses				
- Warehouse and offices	10	289	216	623
- Office equipments	3	28	32	59
Realised loss on foreign exchange	227	140	315	277
Unrealised loss/(gain) on foreign exchange	68	-	(264)	-



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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 31 December 2020 are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>Secured</u>			
Bankers' acceptances	88,312	-	88,312
Trust receipts	24,319	-	24,319
Bank overdrafts	3,104	-	3,104
Term loans	1,098	17,017	18,115
Hire purchase payables	1,119	1,351	2,470
	117,952	18,368	136,320
<u>Unsecured</u>			
Lease liabilities	1,466	2,810	4,276
	119,418	21,178	140,596

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	
	31-Dec-2020	31-Dec-2019	31-Dec-2020	31-Dec-2019
Profit net of tax attributable to the owners of the Company (RM'000)	2,655	2,434	4,705	4,162
Weighted average number of ordinary shares in issue (basic) ('000)	670,289	510,277	670,289	510,277
Effect of dilution from:				
- redeemable convertible preference shares ('000)	-	160,012	-	160,012
	670,289	670,289	670,289	670,289
Basic EPS (sen)	0.40 ⁽¹⁾	0.48	0.70 ⁽¹⁾	0.82
Diluted EPS (sen)	0.40 ⁽¹⁾	0.36 ⁽²⁾	0.70 ⁽¹⁾	0.62 ⁽²⁾

Note:

- (1) Diluted earnings per share of the Group for the current quarter and financial period to date ended 31 December 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.