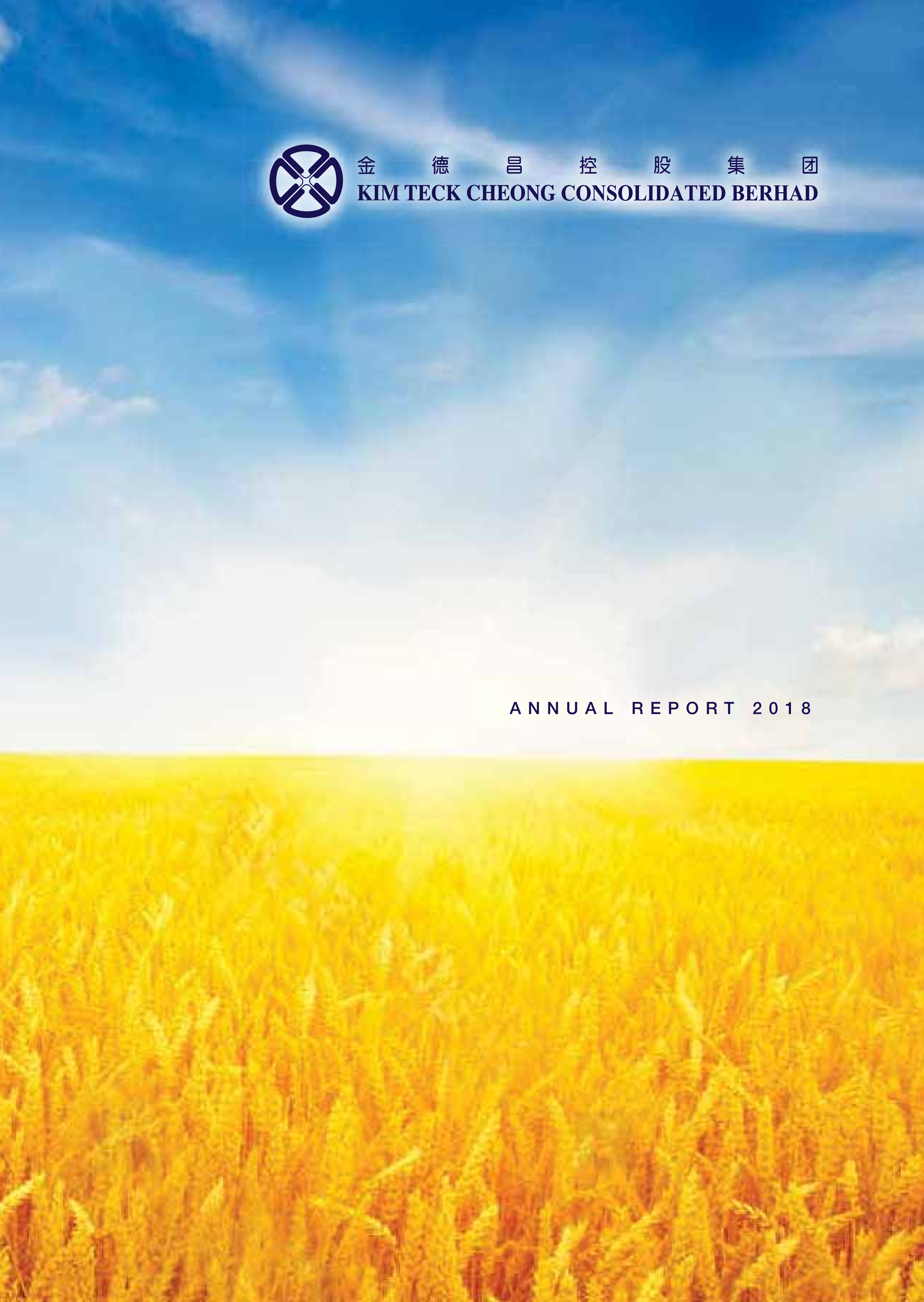


金 德 昌 控 股 集 团

KIM TECK CHEONG CONSOLIDATED BERHAD

ANNUAL REPORT 2018

CONTENTS

ABOUT *KIM TECK CHEONG*

Equipped with over 81 years of industry experience, the business has been successfully managed by the Lau family and it continues to expand its business presence and branding throughout East Malaysia and Brunei.

Today, Kim Teck Cheong ("KTC") is a first tier provider of market access and coverage in distribution of Consumer Package Goods ("CPG") in East Malaysia with 7,355 sales and distribution points covering over 84 districts. KTC's core business focuses on providing market access and coverage of CPG including Food and Beverage ("F&B"), personal care, household, baby care, LED and conventional lighting, Over-The-Counter ("OTC") drugs and health supplements.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra
Independent Non-Executive Chairman

Tan Jwee Peng
Senior Independent Non-Executive Director

Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing
Non-Independent Managing Director

Y. Bhg. Datin Lim Fook Len @ Lim Su Chin
Non-Independent Non-Executive Director

Lindfay Laura Lau (Alternate Director to Y. Bhg. Datin Lim Fook Len @ Lim Su Chin)
Non-Independent Executive Director

Lau Wei Dick @ Dexter Dick Lau
Non-Independent Executive Director

Lim Hui Kiong
Non-Independent Executive Director

Phang Sze Hui
Independent Non-Executive Director

Wong Wen Miin
Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Chairman
Phang Sze Hui

Member
Wong Wen Miin

Tan Jwee Peng

REMUNERATION COMMITTEE

Chairman
Wong Wen Miin

Member
Y.Bhg. Datuk Lau Koh Sing @ Lau Kok Sing

Phang Sze Hui

NOMINATION COMMITTEE

Chairman
Tan Jwee Peng

Member
Wong Wen Miin

Phang Sze Hui

COMPANY SECRETARY

Wong Youn Kim (MAICSA 7018778)

REGISTERED OFFICE

Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Wilayah Persekutuan
Malaysia
Tel : +603-2241 5800
Fax : +603-2282 5022

HEAD OFFICE

Lot 73, Jalan Kilang
SEDCO Light Industrial Estate
Mile 5 ½, Jalan Tuaran
88450 Kota Kinabalu
Sabah, Malaysia
Tel : +6013-811 0111
Fax : +603-2727 3311
Email : investorrelation@kimteckcheong.com
Website : www.kimteckcheong.com

AUDITORS

Baker Tilly Monteiro Heng (AF 0117)
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Wilayah Persekutuan
Tel : +603-2297 1000
Fax : +603-2282 9980

SPONSOR

Kenanga Investment Bank Berhad (15678-H)
Level 16, Kenanga Tower
237, Jalan Tun Razak
50400 Kuala Lumpur
Tel : +603-2172 2888
Fax : +603-2172 2897

REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : +603-2783 9299
Fax : +603-2783 9222

PRINCIPAL BANKERS

AmIslamic Bank Berhad (295576-U)
CIMB Bank Berhad (13481-P)
Hong Leong Bank Berhad (97141-X)
HSBC Bank Malaysia Berhad (127776-V)
Malayan Banking Berhad (3813-K)

STOCK EXCHANGE

ACE Market of Bursa Malaysia Securities Berhad
Stock Name : KTC
Stock Code : 0180

CORPORATE STRUCTURE

KIM TECK CHEONG CONSOLIDATED BERHAD

100% KIM TECK CHEONG (TAWAU) SDN. BHD. ("KTC Tawau")

100% KIM TECK CHEONG SDN. BHD. ("KTC Sdn Bhd")

100% KIM TECK CHEONG (BORNEO) SDN. BHD. ("KTC Borneo") (formerly known as AMDA Marketing (Sabah) Sdn Bhd)

100% KIM TECK CHEONG BRANDS SDN. BHD. ("KTC Brands")

100% POPULAR TRADING (BORNEO) CORPORATION SDN. BHD. ("Popular Trading")

100% KIM TECK CHEONG DISTRIBUTION SDN. BHD. ("KTC Distribution")

80% KIM TECK CHEONG (SARAWAK) SDN. BHD. ("KTC Sarawak")

100% CREAMOS (MALAYSIA) SDN. BHD. ("Creamos Malaysia")

100% KIM TECK CHEONG TRANSPACIFIC SDN. BHD. ("KTC Transpacific") (formerly known as Trans Paint Sdn Bhd)

60% GRAND TOP MARKETING SDN. BHD. ("Grandtop Marketing")

CORPORATE MILESTONES

1938
Establishment of Kim Teck Cheong by founder, the late Datuk Lau Yeong Ching

1946
Started a departmental store in **Kota Kinabalu**

1975
Incorporated **KTC Sdn Bhd** to provide market access & coverage of CPG in Kota Kinabalu, Sabah

1983
Incorporated **KTC Tawau** for distribution of CPG

Established distribution centre in Tawau, Sabah

2000
Established distribution centre in **Sandakan**, Sabah

2003
Incorporated **AMDA Marketing (Sabah) Sdn Bhd** (subsequently known as **KTC Borneo**) to provide market access and coverage of Procter & Gamble (Malaysia) Sdn Bhd (“**P&G**”) products in Sabah & Labuan

2006
Established distribution centre in **Labuan**

2007
Extended product range to cover OTC drugs and health supplements

**CPG: Consumer Packaged Goods*

CORPORATE MILESTONES
cont'd

2011

Started distribution of own brands of CPG namely **"Bamble"** and **"Orie"**

2012

Incorporated **Creamos Malaysia** to manufacture bakery products

2013

Incorporated **KTC Brands** to distribute products under own brands

Acquired 80% equity interest in **IKH Enterprise Sdn Bhd** based in Sibu, Sarawak. (subsequently known as **KTC Sarawak**)

2014

Set-up distribution centre in **Kuching and Miri**, Sarawak

KTC Distribution commenced its distribution activity & took over consumer packaged F&B products from **KTC Sdn Bhd**

Commenced manufacturing business in bakery products

2015

Listed on the ACE market of Bursa Malaysia Securities Berhad

2016

Acquired 100% equity interest in **Popular Trading**

Extended distribution right for **P&G** products to **Sarawak and Brunei**

Set-up distribution centre in **Bintulu**, Sarawak

2017

Acquire 60% equity interest in **Grandtop Marketing**

Acquire 100% equity interest in **KTC Transpacific**

2018

Construction of new warehousing facility in Kota Kinabalu and appointment of five new distributorships

BOARD OF DIRECTORS

Name, Age, Gender, Nationality, Designation	:	**Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra** 71 | Male | Malaysian | Independent Non-Executive Chairman
Date of appointment	:	2 December 2014
Qualification	:	He graduated with Bachelor of Arts at the University of Otago, New Zealand in 1969 and obtained both a Master of Arts from University of Auckland and Diploma in Teaching from the Auckland Teachers College in 1971. Subsequently, he completed an Advanced Course in Educational Development in 1987 from Stanford University, USA and an Advanced Course in Curriculum Development in 1991 from the Institute of Education, University of London, United Kingdom.
Working experience & Occupation	:	He became the Principal Assistant Director at the Department of Education, Kota Kinabalu in 1976, and was appointed as Director of Education, Sabah in 2000. He was a member of the advisory panel of the Department of National Unity and Integration of the Prime Minister Department, Malaysia from 2004 until 2008. Subsequently, he became a panellist for the National Dialogue on Malaysian Education System Review until 2012. He has been a member of the Malaysian Examinations Council consecutively for four (4) terms since 2004. During this tenure, he has been participating in the Disciplinary Appeal Board, a portfolio assigned to him under the Malaysian Examinations Council.
Board Committee belongs	:	Nil
Other directorship in public companies and listed corporations	:	Nil
Family relationship with director/major shareholder	:	Nil
Conflict of interest	:	Nil
List of convictions for offences within the past 5 years if any	:	Nil
Number of Board meetings attended	:	5/5

BOARD OF DIRECTORS
cont'd

Name, Age, Gender, Nationality, Designation	:	**Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing** 73 | Male | Malaysian | Non-Independent Managing Director
Date of appointment	:	17 October 2014
Qualification	:	He completed his high school education in 1965.
Working experience & Occupation	:	Enterprise, a family owned departmental store situated in Kota Kinabalu. Subsequently in 1967, he was responsible for the day-to-day management of the business and later he took over the operation in 1973. In 1975, he was involved in setting up KTC Sdn Bhd which provide market access and coverage of third party brands of personal care products namely skin care products in Sabah. In 1983, he co-founded KTC Tawau with his brother-in-law, Lim Hui Kiong. In 2000, he set up the distribution centre in Sandakan and in 2003, he established AMDA Marketing (Sabah) Sdn Bhd (now known as KTC Borneo), in which established KTC's strong footing in Sarawak. Currently, he is an overseas committee member of the All-China Federation of Returned Overseas Chinese, Beijing, People's Republic of China. He is the National Vice President of the Malaysia-China Chamber of Commerce and Honorary Life Adviser to the Malaysia-China Chamber of Commerce, Sabah Branch. He is also the Honorary Life President of the United Sabah Chinese Communities Association and the Honorary Life Chairman of Kota Kinabalu Hokkien Association and Sabah Ann Koai Association, an Honorary Advisor for the Kota Kinabalu Journalists Association.
Board Committee belongs	:	Member of Remuneration Committee
Other directorship in public companies and listed corporations	:	Nil
Family relationship with director/major shareholder	:	Spouse of Y. Bhg. Datin Lim Fook Len @ Lim Su Chin Brother in law of Lim Hui Kiong Father of Lau Wei Dick @ Dexter Dick Lau
Conflict of interest	:	Nil
List of convictions for offences within the past 5 years if any	:	Nil
Number of Board meetings attended	:	4/5

BOARD OF DIRECTORS
cont'd

Name, Age, Gender, Nationality, Designation	:	**Wong Wen Miin** 61 | Female | Malaysian | Independent Non-Executive Director
Date of appointment	:	26 October 2018
Qualification	:	Madam Wong earned her Masters in Economics from University of Malaya in 2006 and in 2011, graduated from the National Institute of Public Administration (INTAN) Malaysia under the Advanced Leadership Management Programme.
Working experience & Occupation	:	Madam Wong began her career in 1983 with the Ministry of Works where she was responsible for the budgeting, coordination, and management of public roads, government buildings and water projects in Sarawak, Sabah and Labuan. In 1988, she left the Ministry of Works and joined the Ministry of Finance Malaysia. During her tenure there, she was involved in the preparation of loan agreements, facilitation of multilateral loan agreements between the Malaysian government and international organisations, consolidation of financial laws into the Financial Services Act and Islamic Financial Services Act with Bank Negara Malaysia as well as the establishment of standard operating procedures for terms and conditions in the granting of house loans to civil servants. In 2017, she left the Ministry of Finance as the Deputy Under Secretary (Investment Evaluation Sector) of the Strategic Investment Division. She then joined the Prime Minister's Department soon after as the Deputy Director General (Special Project) of the Public Private Partnership Unit. Here, she contributed in the fast-tracking the conclusion of a high priority Public-Private Partnership contract negotiations together with relevant government ministries/agencies/company. She then retired in 2018 as a senior superscale government officer.
Board Committee belongs	:	Chairman of Remuneration Committee Member of Audit and Risk Management Committee Member of Nomination Committee
Other directorship in public companies and listed corporations	:	Nil
Family relationship with director/major shareholder	:	Nil
Conflict of interest	:	Nil
List of convictions for offences within the past 5 years if any	:	Nil
Number of Board meetings attended	:	Nil

BOARD OF DIRECTORS
cont'd

Name, Age, Gender, Nationality, Designation	:	**Y. Bhg. Datin Lim Fook Len @ Lim Su Chin** 65 | Female | Malaysian | Non-Independent Non-Executive Director
Date of appointment	:	2 December 2014
Qualification	:	She obtained a Diploma in Executive Secretary & Management at West London College in 1976.
Working experience & Occupation	:	She joined Kumpolan Sabah Sdn Bhd as a Marketing Manager in 1977. Thereafter, she joined KTC Sdn Bhd in 1978 as a Senior Manager responsible for the administrative and supply chain operations. Since then, she has been with our Group. In 1983, she assisted in the setting-up of KTC Tawau and was subsequently promoted to the position of Director in KTC Tawau in 1989. Between 1989 and 1997, she assisted in the operations of KTC Sdn Bhd and KTC Tawau in the area of supply chain management. Since 1997 until 2012, she has been assisting in supervising and managing the operations of our Group on an informal and ad-hoc basis.
Board Committee belongs	:	Nil
Other directorship in public companies and listed corporations	:	Nil
Family relationship with director/major shareholder	:	Spouse of Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing Sister of Lim Hui Kiong Mother of Lau Wei Dick @ Dexter Dick Lau
Conflict of interest	:	Nil
List of convictions for offences within the past 5 years if any	:	Nil
Number of Board meetings attended	:	4/5

BOARD OF DIRECTORS
cont'd

Name, Age, Gender, Nationality, Designation	:	**Lau Wei Dick @ Dexter Dick Lau** 39 | Male | Malaysian | Non-Independent Executive Director
Date of appointment	:	17 October 2014
Qualification	:	He obtained his Bachelor of Law from the University of Kent, Canterbury, United Kingdom in 2001 and he completed the Bar Vocational Course at the Inns of Court School of Law, and was subsequently, called to the Bar of England and Wales as a member of Lincoln's Inn of the United Kingdom in 2002.
Working experience & Occupation	:	He started his career as the General Manager of AMDA Marketing (Sabah) Sdn Bhd (now known as KTC Borneo) in 2003 and was appointed as a director of KTC Borneo and KTC Tawau in the same year. He was promoted to Vice President of the Group in 2009. In 2012, he established Creamos Malaysia, putting our Group on the map of the bakery industry in Malaysia. During his tenure with the Group, he has been responsible for managing the day-to-day business operations and planning strategies for the future direction of our Group. He was selected to become a member of the Young Presidents' Organisation since 2010. Currently, he is also a director and shareholder of several private limited companies.
Board Committee belongs	:	Nil
Other directorship in public companies and listed corporations	:	Nil
Family relationship with director/major shareholder	:	Son Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing and Y. Bhg. Datin Lim Fook Len @ Lim Su Chin Nephew of Lim Hui Kiong
Conflict of interest	:	Nil
List of convictions for offences within the past 5 years if any	:	Nil
Number of Board meetings attended	:	4/5

BOARD OF DIRECTORS
cont'd

Name, Age, Gender, Nationality, Designation	:	**Lim Hui Kiong** 59 | Male | Malaysian | Non-Independent Executive Director
Date of appointment	:	2 December 2014
Qualification	:	He completed his high school education in 1977.
Working experience & Occupation	:	He started his career as a Sales Representative at Kilat Jaya, a company involved in wholesale distribution. He then furthered his O-levels at Tresham College of Further and Higher Education, United Kingdom in 1979. Thereafter in 1981, he joined Diethelm (M) SdnBhd (now known as DKSH Malaysia Sdn Bhd) as a Sales Representative in 1982. In 1983, he left Diethelm (M) SdnBhd and co-founded KTC Tawau with Datuk Lau. He played a key role in growing the company by focusing on providing market access and coverage of CPG products in Tawau, Semporna, Lahad Datu and Kunak. He was instrumental in building up the network of suppliers and customers particularly in Tawau, Semporna, Lahad Datu and Kunak. In 2013, he was appointed as a director in KTC Sarawak. He has since accumulated over 30 years of experience in the wholesale distribution industry. Currently, he is also a director and shareholder of several private limited companies.
Board Committee belongs	:	Nil
Other directorship in public companies and listed corporations	:	Nil
Family relationship with director/major shareholder	:	Brother in Law of of Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing Brother of Y. Bhg. Datin Lim Fook Len @ Lim Su Chin Uncle of Lau Wei Dick @ Dexter Dick Lau
Conflict of interest	:	Nil
List of convictions for offences within the past 5 years if any	:	Nil
Number of Board meetings attended	:	5/5

BOARD OF DIRECTORS
cont'd

Name, Age, Gender, Nationality, Designation	:	**Phang Sze Fui** 46 | Female | Malaysian | Independent Non-Executive Director
Date of appointment	:	28 September 2018
Qualification	:	She obtained the Professional Accounting Qualification from the Association of Chartered and Certified Accountants (ACCA) of UK in 1998, and has been a Fellow member of since 2005. She is also a Member of The Malaysian Institute of Accountants (MIA) since 2009.
Working experience & Occupation	:	Ms. Phang has over 18 years of experience in audits of small and medium size companies and public listed companies as well as Reporting Accountants for various corporate exercises for initial public offering, reverse takeover, acquisitions and disposals of assets or companies, funds raising, financial due diligence review, investigation audits and many more. Due to this, she has an in-depth knowledge in auditing, accounting, taxation, Companies Act, listing requirements of Bursa Malaysia Securities Berhad and the Securities Commission guidelines. She began her career at Messrs. Baker Tilly Monteiro Heng, Kuala Lumpur from 1997 to 2007 as an Audit Assistant in Audit Division and was then subsequently promoted to the position of Senior Audit Manager. In this position, her responsibilities included leading an audit group with audit portfolios comprising small and medium size companies and public listed companies in various industries including property development, construction, manufacturing, trading and distribution amongst others. In mid-2007, she was then promoted as an Associate Director of Transaction Reporting Division, a pioneer position, she was subsequently promoted to the position of Executive Director in 2011 and held the position until she left the company in 2015. During her tenure, she was responsible for leading special assignments, which included amongst others, investigation audits, financial due diligence reviews as well as audits for companies en route to listing on the ACE Market and Main Market. Later, she joined Dolphin Applications Sdn. Bhd. as Corporate Affairs Director in 2016 where her responsibilities included managing corporate exercises and handling special projects as well as overseeing corporate compliance matters, the preparation of annual report, external reporting, and the Human Resource Department, Administration Department as well as the Management Information System Department. After her tenure in Dolphin Applications Sdn. Bhd., she established Avia Alliance Sdn. Bhd., an accounting and consultancy services agency in August 2017. She is currently involved in corporate exercises and handling special projects for local and overseas projects as well as well providing accounting services.
Board Committee belongs	:	Chairman of Audit and Risk Management Committee Member of Remuneration Committee Member of Nomination Committee
Other directorship in public companies and listed corporations	:	Nil
Family relationship with director/major shareholder	:	Nil
Conflict of interest	:	Nil
List of convictions for offences within the past 5 years if any	:	Nil
Number of Board meetings attended	:	Nil

BOARD OF DIRECTORS
cont'd

Name, Age, Gender, Nationality, Designation	:	**Tan Jwee Peng** 59 | Male | Malaysian | Senior Independent Non-Executive Director
Date of appointment	:	3 December 2014
Qualification	:	He graduated with a Bachelor of Law degree with Honours from the University of Buckingham, England in 1982. He became a member of Lincoln's Inn of the United Kingdom and was called to the Bar of England and Wales in 1983. He was also admitted to practise in the Supreme Court of the Australian Capital Territory and the High Court of Australia in 1990.
Working experience & Occupation	:	In 1984, he was called to the High Court in Sabah and Sarawak as an Advocate and Solicitor. In the same year, he started his career as a legal assistant in Jayasuriya Kah & Co and subsequently became a partner in 1986. He is currently the Managing Partner of Jayasuriya Kah & Co. He is a member of the Sabah Law Association and served as its President for three (3) terms from 1999 to 2003. From 2002 to 2003, he was the Chairman of the Board of Visiting Justices for Kota Kinabalu Prisons. Currently, he is also a director of several private limited companies.
Board Committee belongs	:	Chairman of Nomination Committee Member of Audit and Risk Management Committee
Other directorship in public companies and listed corporations	:	Nil
Family relationship with director/major shareholder	:	Nil
Conflict of interest	:	Nil
List of convictions for offences within the past 5 years if any	:	Nil
Number of Board meetings attended	:	5/5

KEY MANAGEMENT PERSONNEL

Name	:	**Pamela Phui Hee Yung**
Age	:	39
Gender	:	Female
Nationality	:	Malaysian
Type of change		Appointment
Designation	:	Chief Financial Officer
Qualification, working experience & occupation	:	1. Bachelor of Science (Applied Accounting) from Oxford Brookes University, UK 2. Malaysia Institute of Accountants (MIA), Chartered Accountant Malaysia 3. Association of Chartered Certified Accountants (ACCA), Sunway College 4. The Chartered Insurance Institute, Certification and Award in London Market Insurance, UK 5. Certified Practising Accountant, CPA Australia
Working experience and occupation	:	2001-2004 - Senior Audit Executive at Deloitte (formerly known as Deloitte & Touche) 2004-May 2017 - Chief Financial Controller at Tokio Marine Global Re Asia Ltd
Other directorship in public companies and listed corporations	:	Nil
Family relationship with director/major shareholder	:	Nil
Conflict of interest	:	Nil
List of convictions for offences within the past 5 years if any	:	Nil

FINANCIAL HIGHLIGHTS

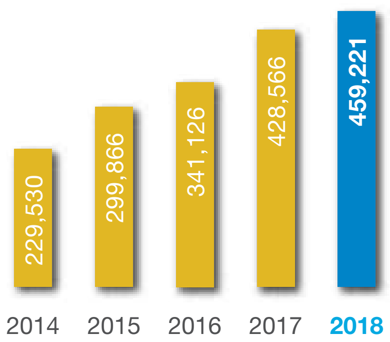
	Proforma Group			Audited	
Financial Year Ended ("FYE") 30 June	**2014 RM'000**	**2015 RM'000**	**2016 RM'000**	**2017 RM'000**	**2018 RM'000**
Revenue	229,530	299,866	341,126	428,566	**459,221**
Profit/(Loss) before tax	7,387	10,352	3,217	2,292	**(5,295)**
Profit/(Loss) attributable to owners of KTC	5,485	7,050	1,852	418	**(8,128)**
Shareholders' equity	60,828	73,155	89,789	90,126	**81,780**

Notes:

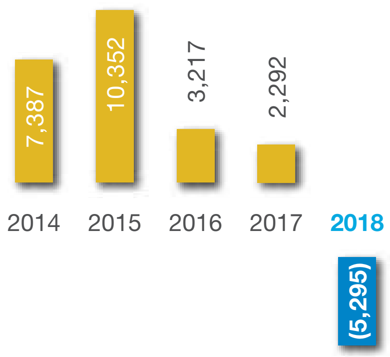
(1) Excluding the net fair value adjustment on assets held for distribution.

(2) The financial results for the FYE 30 June 2014 to FYE 30 June 2015 are based on proforma results as disclosed in the Prospectus of Kim Teck Cheong Consolidated Berhad's ("KTC" or "the Company") dated 28 October 2015.

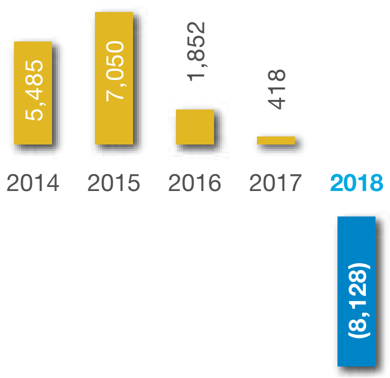
REVENUE
(RM'000)



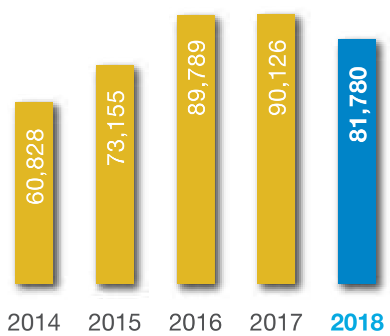
PROFIT/(LOSS) BEFORE TAX
(RM'000)



PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF KTC
(RM'000)



SHAREHOLDERS' EQUITY
(RM'000)



MANAGEMENT DICUSSION AND ANALYSIS

Dear Valued Shareholders,

It is my pleasure to present to you an overview of our business and operations as well as financial performance for the Financial Year Ended 30 June 2018 ("FYE 30 June 2018").

from left to right:

Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing
Y. Bhg Datuk Deleon Quadra @ Kamal Quadra

MANAGEMENT DICUSSION AND ANALYSIS

cont'd

SUMMARY OF BUSINESS AND OPERATIONS

The previous year was an exciting one for the Group despite facing some challenges. However, this did not deter us from continuing with our planned consolidation strategy. In line with this, we have embarked on a few cost-saving measures to ensure that we continue on our path of sustainable growth and subsequently to create long-term value for our shareholders. One of the initiatives we embarked on was the streamlining of operating costs which had resulted in savings that would be reinvested back to the Company for future growth plans.

Today, KTC remains one of the largest Consumer Packaged Goods ("CPG") distributors in East Malaysia, namely Sabah, Sarawak, Labuan as well as Brunei, with 7,355 sales and distribution points covering over 84 districts. KTC's core business focuses on providing market access and coverage of CPG including F&B, personal care, household, baby care and other products, LED & conventional lighting, plastic food packaging products, Over-The-Counter ("OTC") drugs and health supplements. Our Group's core business is supported by a total of 15 distribution centres with warehousing facilities in East Malaysia and Brunei. With a total capacity of 333,000 sq. ft. 7 of our warehouses are located in Sabah, 4 in Sarawak, 2 in Labuan and 2 in Brunei. Currently, we distribute over 200 third-party brands for 37 brand owners.

FINANCIAL REVIEW

Despite a challenging market environment due to arduous macroeconomic conditions such as trade uncertainties, the Group managed to achieve marginal growth in revenue of about 7.15% to RM459.22 million, as compared to RM428.57 million achieved in the previous financial year. The increase in revenue was mainly generated from our operations in Sabah, Sarawak and Brunei as a result of the new distributorship contracts awarded in January 2018.

Our Sabah operations contributed the highest revenue to the Group's total revenue, recording RM287.83 million in FYE 30 June 2018. Despite the large contribution to the Group's total revenue, our Sabah operations recorded a significant decrease in revenue amounting to RM17.81 million or 5.8%. On a similar note, our Labuan operations also recorded a decrease in revenue of RM16.83 million or 55.18%. This decrease was attributed to the termination of contracts with certain agencies by KTC Consolidated due to low margin products and slow movement of goods.

However, this was mitigated by the increase in revenue contribution from our operations in Sarawak and Brunei which contributed approximately RM17.96 million and increase RM47.33 million or 18.07% and 201.08% to the Group's total revenue respectively. This significant growth was mainly due to the new distributorships from Heineken Marketing Malaysia Sdn Bhd, L'Oreal Malaysia Sdn Bhd, Power Root Marketing Sdn Bhd, Oriental Food Marketing (M) Sdn Bhd. and Nestle Products Sdn. Bhd.

Notwithstanding, the Group recorded a loss before tax of RM5.29 million, a decrease of RM7.58 million from the previous financial year of profit before tax of RM2.29 million. The decrease was mainly due to the increase in other operating expenses in arising from the following:

i. termination of contracts by KTC Consolidated with certain agencies

ii. the closure of government-owned chain of convenience stores which resulted in returned goods

iii. on-going write-off of expired and damaged products as part of prudent inventory management practices

iv. write-off of GST dispute and overdue prepayment

As at FYE 30 June 2018, our shareholders' equity is recorded at RM81.78 million, a decrease of RM8.34 million or 9.25% as compared to the previous financial year.

MANAGEMENT DICUSSION AND ANALYSIS

cont'd

SEGMENTAL BUSINESS REVIEW

Distribution activities

Distribution of third-party brands of CPG remains the major contributor to the Group's total revenue recording RM453.79 million which translates to an increase of RM31.31 million or 7.41% as compared to FYE 30 June 2017. This could be attributed to the increased demand in CPG as a result of increased consumer spending due to the abolishment of Goods & Services Tax ("GST"). In addition to this, the increase could also be attributed to the newly awarded distributorship contracts by several brands earlier in the year.

Manufacturing activities

The revenue from our manufacturing activities fell slightly to RM5.43 million from RM6.03 million last year. This represents a decrease of RM0.60 million or 9.90%. This was a result of the discontinuation of some products in the market due to our decision to review the price positioning of certain products, with the intention of relaunching these at a later stage.

OPERATING ACTIVITIES

As a top-tier provider of market access and coverage in the distribution of CPG, we continue to strive to achieve our objective of expanding our business in the distribution of CPG in the financial year under review. During the year, we secured five new distributions rights from Nestle Products Sdn. Bhd., Heineken Marketing Malaysia Sdn. Bhd., L'Oreal Malaysia Sdn. Bhd., Oriental Food Industries Sdn. Bhd. as well as Sincere Match and Tobacco Factory Sdn. Bhd.

Under these distribution rights, we were appointed to distribute grocery products from Nestle to Brunei; Tiger, Anchor and Guinness beers from Heineken to Kuching, Sibu and Bandar Sri Aman in Sarawak; L'Oreal Paris, Maybelline and Garnier products for Sabah, Labuan and Sarawak; Rota, Super Ring and Jacker snacks under Oriental Food to Sabah and Sarawak and Cricket lighters and Flyingman matches from Sincere Match & Tobacco to Sabah, Sarawak and Brunei.

MANAGEMENT DICUSSION AND ANALYSIS

cont'd

These distributorship rights are a testament of our expertise and capability in providing market access and coverage of CPG in Sabah, Sarawak, Labuan and Brunei. Moving forward, we are optimistic of establishing more partnerships with more brands which would contribute positively to the financial standing of the Group.

In 2018, we had completed the construction of our new warehousing facility on our existing land in Kota Kinabalu Industrial Park, Kota Kinabalu, Sabah. The warehouse, which has an estimated built-up area of approximately 34,746 sq. ft. with 10 load/unloading bays and a capacity of 3,920 pallets, is to house and to cater for the expansion of our CPG products.

COMPANY OUTLOOK

As one of the largest top tier consumer packaged goods distributors in East Malaysia, the Group's strategy for sustainable, profitable growth continues to focus on implementing more of what we do best and doing it even better. We are constantly striving to serve our existing clients better by maintaining our high service standards while offering innovating service offerings, and at the same time, attracting the best possible new agencies to complement our highly diversified agencies portfolio.

Additionally, the recent initiatives announced by the government such as the abolishment of the GST and the reintroduction of the Sales & Service Tax ("SST") bodes well for the Group as consumer spending is likely to rise, which could result in increased sales. In a survey by Nielsen Malaysia, two out of three consumers (69%) expect their purchase habits to change following the reduction of GST, with close to one-third (30%) saying that they would spend more money on essential items such as apparel and clothing, perishable foods, non-perishable foods and baby products.

This, combined with the expectation of the expansion of Malaysia's economy by 5.2% in 2018 and between 4.5% to 5.0% in 2019 due to upbeat domestic and external trade sectors' performance on the back of supportive economic policies, stable labour market, continued wage growth and moderating inflation, we are hopeful of increased consumer spending which will contribute to the Group's topline.

Furthermore, the Group has continued to emphasise its focus on the core business by using a pragmatic approach to explore and capture new opportunities for growth as well as to reach a healthy cash flow and deliver high profits. We will continue to drive organic growth through business development initiatives such as acquiring new agencies and new products for distribution across all our business segments. We are also buoyant of our growth due to the support of our strong sales and marketing efforts and infrastructure.

Two market trends additionally support a positive medium-to-long-term outlook for the Group. Firstly, the sustained domestic demand, driven by the growing middle class in Malaysia, supports the growth of consumer goods and pharmaceutical products. Secondly, manufacturers increasingly focus on core competencies and seek specialised service distributors like KTC in order to grow the market for and with them through specialised services such as market research, product registration, sales and marketing, as well as distribution.

Supported by positive market trends and a growth platform, we are hopeful of continued growth in 2019.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("Board") of Kim Teck Cheong Consolidated Berhad ("KTC" or "the Company") is committed to uphold the high standards of corporate governance throughout KTC and its subsidiaries ("the Group") with the ultimate objective of realising long-term shareholder value while taking into account the interest of other stakeholders. This Corporate Governance Overview Statement sets out the extent to which the Company has applied the practices encapsulated in the Principles of the Malaysian Code on Corporate Governance ("MCCG") except where stated otherwise.

Details of the Group's application of each practices set out in the MCCG are disclosed in the Corporate Governance Report, which is available on the Group's website at www.kimteckcheong.com.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

Board Charter and Board Committees

The Board is responsible and is accountable to shareholders for managing the business of the Group. The Board retains full and effective controls of the Company and is committed to take full responsibility for the overall corporate governance of the Group, including its strategic business direction and overall wellbeing.

The Board has retained for itself decisions in respect of matters significant to the Group's business operations which include the approval of key corporate plans, major business transactions involving either the acquisitions or disposal of business, interests and/or assets, consideration of significant financial matters and announcements of financial results, appointments to the Board and control structure within the Group.

In performing its duties, the Board is guided by the Board Charter that sets out amongst others its roles, composition, responsibilities, powers, board committees and board meeting procedures. The key elements of governance principles embedded in the Board Charter regulate the Board's conducts and guide the business strategic initiative of the Group. The Board Charter is available on the Company's website at www.kimteckcheong.com.

The Board has established three (3) Board Committees, namely Audit and Risk Management Committee, Nomination Committee and Remuneration Committee that are delegated with specific responsibilities and authorities to assist the Board in executing its duties and to provide the Board with recommendations and advice. The delegation of authority to the Committees enables the Board to achieve operational efficiency, by empowering each Committee to review, report and make recommendations to the Board on matters relevant to their roles and responsibilities. Each Committee is governed by its own Terms of Reference which sets out its functions and duties, composition, rights and meeting procedures. These Terms of Reference are reviewed periodically in accordance with the needs of the Company and taking into account the changes in the business, governance and legal environment that may have an impact on the discharge of the Committees' duties and responsibilities.

The Chairmen of the various committees will report to the Board the outcome of the Committee meetings which will be recorded in the minutes of the Board meeting. The ultimate responsibility for decision making, however, lies with the Board.

Company Secretary

The Board is assisted by a qualified and competent Company Secretary who is a member of the Malaysian Institute of Chartered Secretaries and Administrators. The Company Secretary provides support to the Board in carrying out its fiduciary duties and stewardship role in shaping the standard of corporate governance of the Group. In this respect, she plays an advisory role to the Board, particularly with regards to the Company's Articles, Board's policies and procedures as well as its compliance with regulatory requirements, codes, guidelines, legislations and the principles of best corporate governance practices.

CORPORATE GOVERNANCE STATEMENT
cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

I. Board Responsibilities *cont'd*

Company Secretary *cont'd*

The Company Secretary also attends all Board, Board Committee and general meetings, and ensure that deliberations at the meetings are accurately minuted and kept in the minutes books and subsequently communicated to the relevant party for necessary actions. Such minutes of meetings are confirmed by the respective Board Committees and signed by the Chairman of the meeting.

All Directors have unrestricted access to the advice and services of the Company Secretary for the purposes of the Board's affairs and the business of the Group.

Information and support for Directors

In order to manage the Group's business effectively, the Board meets on a quarterly basis to review the Group's financial and operational results, major investments, report from various Board Committees, related party transactions, strategic decisions and the overall direction of the Group. Additional meetings may be convened when urgent and important decision needs to be taken between the scheduled meetings. All the Directors had committed their time to the board meetings held during the financial year. Prior to the meetings, notice of agenda together with previous minutes and other relevant information were circulated to all directors on a timely basis in order to enable the directors to be well informed and briefed before the meetings.

Besides board meetings, the Board also exercises control on matters that require its approval through the circulation of resolutions.

All the Directors have full and free access to all relevant Company's information, access to management and may obtain independent professional advice at the Company's expense that are deemed necessary to carry out their duties, subject to prior consultation with the Chairman.

The External Auditors also briefed the Board members on the latest Malaysian Financial Reporting Standards that would affect the Group's financial statements during the year.

Code of Conduct and Ethics

Good governance at all levels is essential for sustainable development. The Board is committed to embrace the highest standards of corporate governance practices and ethical standards throughout the Group.

In this respect, the Group has established a Code of Ethics and Code of Conduct to provide direction and guidance to all Directors, Senior Management, employees and external parties in the discharge of their duties and responsibilities that will be in the best interest of the Group. The Code of Ethics and Conduct had been uploaded on the Company's website at www.kimteckcheong.com.

Whistle-blowing Policy

The Board is committed to achieve and maintain high standards of corporate governance practices across the Group. A Whistle-blowing policy has been implemented to provide a channel to enable Directors, Employees, Shareholders, Vendors or any parties with a business relationship with the Group with an avenue to report suspected wrongdoings that may adversely impact the Group. The Company treats all reports in a confidential manner and at the same time provides protection to anyone who reports such concerns in good faith.

Further details pertaining to the Whistle-blowing Policy can be found at the Company's website.

CORPORATE GOVERNANCE STATEMENT

cont'

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. BOARD COMPOSITION

The Board recognizes the importance of having a diverse Board in terms of age, ethnicity and gender as this provides the necessary range of perspectives, experience and expertise in bringing value to the Company and achieve effective stewardship.

The present Board, comprises nine (9) Directors i.e. one (1) Independent Non-Executive Chairman, one (1) Senior Independent Non-Executive Director, four (4) Executive Directors, one (1) Non-Independent Non-Executive Director and two (2) Independent Non-Executive Directors.

The Executive Directors are responsible for the making of the day-to-day business and operational decisions and implementation of Board policies. There is a clear division of duties and responsibilities amongst them in order to maintain a balance of control, power and authority within the Management.

The Independent Non-Executive Directors are responsible in exercising independent judgement and to act in the best interests of the Group in ensuring that decisions made by the Board are deliberated fully and objectively with regard to the long-term interest of all stakeholders. They have declared themselves to be independent from management and free of any relationship which could interfere with the exercise of their independent judgement and objective participation and decision making process of the Board.

The Board is confident that its current size and composition reflects an appropriate balance of Executive and Non-Executive Directors which is adequate for the scope and nature of the Group's business and operations.

In compliance with the recommendations of Malaysian Code On Corporate Governance, all of the Independent Directors of the Company has tenure not exceeding a cumulative term of nine (9) years.

Diversity on Board and Senior Management

The Board and the Nomination Committee take into account the current diversity in the skills, experience, age, race/ethnicity (cultural background) and nationality of the existing Board in seeking potential candidate(s). The Committee has the responsibility to ensure that the Board comprises suitably qualified members that demonstrate appropriate qualities and experience that contribute to the effective oversight and stewardship.

During the financial year, no new Director was appointed. The Board decided to maintain the optimum Board size at 6 based on the review of the Board composition in 2018. The optimal size would enable effective oversight, delegation of responsibilities and productive discussions amongst members of the Board.

Gender Diversity

The Board has no specific policy on gender, age and ethnicity for candidates to be appointed to the Board. The evaluation of the suitability of candidates is based on the candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company.

The Nomination Committee, will however continue to take steps to ensure that gender, age and ethnicity of the candidates will be taken into consideration as part of its recruitment exercise.

Nomination Committee

The Board has established a Nomination Committee to provide advice and assistance to the Board in matters relating to appointment of new Directors, board composition, training program and performance evaluation on effectiveness of the Board, Board Committees and individual directors. Full details of the Nomination Committee's duties and responsibilities are stated in its Term of Reference which is available on the Company's website.

CORPORATE GOVERNANCE STATEMENT
cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. BOARD COMPOSITION *cont'd*

Nomination Committee *cont'd*

The Nomination Committee comprises exclusively of Independent Non-Executive Directors and chaired by the Senior Independent Director. The Committee meets as and when required, at least once a year. During the financial year, one (1) meeting was carried out, with attendance as follows:

Name of Director	Designation	No. of Meetings Attended
Tan Jwee Peng	(Chairman)	1/1
Y.A.M. Tengku Datin Paduka Setia Zatashah Binti Sultan Sharafuddin Idris Shah *(Resigned on 26 October 2018)*	(Member)	1/1
Wee Hock Kee *(Resigned on 4 September 2018)*	(Member)	1/1
Phang Sze Fui *(Appointed on 28 September 2018)*	(Member)	N/A
Wong Wen Miin *(Appointed on 26 October 2018)*	(Member)	N/A

During the financial year, the Nomination Committee had carried out the following activities:

(a) assessed the performance of the Board, Board Committees and individual Director, including the term of office and performance of the Audit and Risk Management Committee and each of its members;
(b) assessed the independence of all three (3) Independent Directors;
(c) reviewed the performance of retiring Directors and recommended them to the Board for re-election at the forthcoming AGM;
(d) reviewed the size of the Board against the size of the Group and the complexity of the business to assess the impact of the number upon its effectiveness;
(e) ensure all Directors receive appropriate continuous training programmes;

Evaluation of Board, Board Committees and Individual Directors

The Nomination Committee annually performs a board self-evaluation to evaluate the performance of the Board, Board Committees and individual Directors, in order to verify that the Board is operating effectively and efficiently as a whole. Each Director completed a detailed questionnaire in the Directors' Performance Evaluation which covered matters relevant to the Board performance, among other things, contribution to interaction, quality of input, understanding of role and personal developments. An evaluation of each Board Committee was done by assessing the structure, roles and responsibilities, performance of the respective Chairman, as well as Committee's performance against its Term of Reference. The assessment was internally facilitated, whereby results of the assessments had been compiled, documented and reported to the Board accordingly, as part of the Company's ongoing corporate governance practices.

Based on the assessment carried out during the financial year, the Nomination Committee had concluded the following:-

(a) The Board was found to be competent and had a dynamic and balanced mix of skills and experience wherein the Directors were able to contribute effectively to the Board's decision-making process.
(b) The current structure, size and composition of the Board, which comprises people who possess a wide range of expertise and experience in various fields with diverse backgrounds and specialisations, would enable the Board to lead and manage the Company effectively.
(c) The Directors had discharged their responsibilities in a commendable manner, acted competently, contributed effectively to the Board and demonstrated full commitment to their duties as Directors.
(d) The Board and Board Committees had contributed positively to the Company and its subsidiaries and were operating in an effective manner.
(e) The Board Chairman had performed in an excellent manner and contributed to the Board.
(f) The performances of the Board Committees were found to be effective.

CORPORATE GOVERNANCE STATEMENT
cont'

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. BOARD COMPOSITION *cont'd*

Evaluation of Board, Board Committees and Individual Directors *cont'd*

The Board recognises the importance of continuous training to remain abreast of the latest developments in related industry and changes to the regulatory environment. The assessment on individual directors also provided the Board with valuable insights into training and development needs of each Director, to ensure that each Board member's contribution to the Board remains informed and relevant.

During the financial year, all the Directors had participated in various training programs. Particulars of the seminars and courses attended are as follows:

Name of Director	Date	Programmes/Seminar
Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra	August 2018	Briefing on Sustainability Reporting by the Company Secretary
Mr. Tan Jwee Peng	May 2018	Briefing on Malaysian Code on Corporate Governance
Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing	May 2018	Briefing on Malaysian Code on Corporate Governance
Y. Bhg. Datin Lim Fook Len @ Lim Su Chin	August 2018	Briefing on Sustainability Reporting by the Company Secretary
Mr. Lau Wei Dick @ Dexter Dick Lau	May 2018	Briefing on Malaysian Code on Corporate Governance
Mr. Lim Hui Kiong	August 2018	Briefing on Sustainability Reporting by the Company Secretary

III. REMUNERATION

Remuneration Policy

The Board has recognized the need to establish a fair and transparent Remuneration Policy with the objective to guide the Group in attracting, retaining and motivating highly qualified individuals to serve on the Board and key senior management. On a yearly basis, the Remuneration Committee reviewed and recommended to the Board the remuneration packages of the Executive Directors, while the remuneration for the Non-Executive Directors was determined by the Board as a whole. Fees and benefits payable to the Directors are subject to approval by the shareholders at the Company's AGM. The affected Directors had abstained from participation in deliberations and decisions regarding their individual remuneration.

In making its recommendation, the Remuneration Committee considered the principles set out in the Remuneration Policy. The remuneration was structured to align rewards to corporate and individual performances besides adequately compensate the Directors for risks and complexities of the duties and responsibilities they assumed. The Remuneration Committee also obtained data for similar roles of other public listed companies in the same industry for comparison.

All Executive Directors and key Senior Management are subject to an annual performance rating which serves as a basis to determine their variable compensation payments. The Remuneration Policy also covers bonus framework for the Executive Directors and key Senior Management, which link their appraisal process to specific reward and incentive outcomes. The appraisal process will assess the individual performance against the Key Performance Indicator targets and competency capability in meeting the Group's core values and Leadership and Management Expectations.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

III. REMUNERATION *cont'd*

Remuneration Committee

The Remuneration Committee was established to assist the Board in developing remuneration policies and procedures that enable the Group to attract, motivate and retain qualified Directors and key Senior Management personnel. Full details of the functions and duties of the Remuneration Committee are stated in its Term of Reference which is available on the Company's website.

Majority of the Remuneration Committee Members are Independent Non-Executive Directors. During the financial year, one (1) meeting was carried out with attendance as follows:

Name of Director	Designation	No. of Meetings Attended
Y.A.M. Tengku Datin Paduka Setia Zatashah Binti Sultan Sharafuddin Idris Shah *(Resigned on 26 October 2018)*	(Chairman)	1/1
Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing	(Member)	1/1
Wee Hock Kee *(Resigned on 4 September 2018)*	(Member)	1/1
Phang Sze Fui *(Appointed on 28 September 2018)*	(Member)	N/A
Wong Wen Miin *(Appointed on 26 October 2018)*	(Chairman)	N/A

The responsibilities of Remuneration Committee are as follows:-

(a) reviewed and assessed the performance and the remuneration package of the Executive Directors and key Senior Management;
(b) reviewed and assessed the Directors' fees and benefits payable for the financial year ended 2018;
(c) reviewed and updated its Term of Reference;
(d) reviewed the Board Remuneration Policy; and
(e) provide clarification to shareholders during general meetings on matters pertaining to remuneration of directors and senior management.

Remuneration of Directors

Pursuant to the respective service contracts with the Company and its subsidiaries, the

The details of individual Directors' remuneration are as follows:-

Group Level

Name of Directors	Fees/ Salaries and Other Emoluments (RM)	Bonus (RM)	EPF and SOCSO (RM)	Allowance/ Benefits in Kind (RM)	Total (RM)
Non-Executive Directors					
Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra	50,040	-	-	-	50,040
Mr. Tan Jwee Peng	50,040	-	-	-	50,040
Y.A.M. Tengku Datin Paduka Setia Zatashah Binti Sultan Sharafuddin Idris Shah *(Resigned on 26 October 2018)*	50,040	-	-	-	50,040
Wee Hock Kee *(Resigned on 4 September 2018)*	50,040	-	-	-	50,040

CORPORATE GOVERNANCE STATEMENT
cont'

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

III. REMUNERATION *cont'd*

Remuneration of Directors *cont'd*

The details of individual Directors' remuneration are as follows:- *cont'd*

Group Level *cont'd*

Name of Directors	Fees/ Salaries and Other Emoluments (RM)	Bonus (RM)	EPF and SOCSO (RM)	Allowance/ Benefits in Kind (RM)	Total (RM)
Executive Directors					
Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing	822,040	-	-	593	822,633
Mr. Lau Wei Dick @ Dexter Dick Lau	725,698	-	-	72,828	798,526
Mr. Lim Hui Kiong	254,469	-	-	429	254,098

Company Level

Name of Directors	Salaries and Other Emoluments (RM)	Bonus (RM)	EPF and SOCSO (RM)	Benefits in Kind (RM)	Total (RM)
Executive Directors					
Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing	822,040	-	-	593	822,633
Mr. Lau Wei Dick @ Dexter Dick Lau	725,698	-	-	72,828	798,526
Mr. Lim Hui Kiong	254,469	-	-	429	254,898

Remuneration of Senior Management

The remuneration of the Senior Managements are set out as follows:-

Range of Remuneration (RM)	Number of Senior Management
RM200,000 to RM300,000	1
RM350,000 to RM400,000	-
RM450,000 to RM500,000	-
RM750,000 to RM800,000	2

(The details of senior management's remuneration are not shown, as the Board considers the information of the said remuneration to be sensitive and proprietary in view of the competitive nature of the human resource market and to support the Company's efforts in retaining executive talents. The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to senior management's remuneration are appropriately served by the disclosures in the RM50,000 bands. The total remuneration paid to each senior management reflects the time and effort devoted to fulfil his or her responsibilities on the Board and linked to the Group's performance.)

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit and Risk Management Committee

The Audit and Risk Management Committee consists of the following members:

Phang Sze Fui *(Appointed on 28 September 2018)*	(Chairman)
Wong Wen Miin	(Member)
Tan Jwee Peng	(Member)

The Chairman of the Audit and Risk Management Committee is not the Chairman of the Board. In addition, the Audit and Risk Management Committee comprises wholly of Independent Non- Executive Directors. The Audit and Risk Management Committee Report is set out separately in this Annual Report. Full details of the Audit and Risk Management Committee's duties and responsibilities are stated in its Terms of Reference which is available on the Company's website.

Oversight of External Auditors

The external auditors of the Company fulfill an essential role in giving assurance to the Company's shareholders on the reliability of the Group's financial statements.

The Audit and Risk Management Committee reviews the independence, performance and remuneration of the External Auditors before recommending them to the shareholders for re-appointment in the AGM on an annual basis. The External Auditors would provide written assurance to the Board in respect of its independence to act as the External Auditors of the Group. The Audit and Risk Management Committee would convene a private session with the External Auditors and Internal Auditors without the presence of the Executive Directors and Management. During the financial year ended 30 June 2018, the Audit and Risk Management Committee had conducted private sessions with the External Auditors without the presence of the Executive Directors and Management.

Details of the audit and non-audit fees paid/payable to Baker Tilly Monteiro Heng for the financial year ended 30 June 2018 are as follows:-

	Company RM	Group RM
Statutory audit fees paid/payable to Baker Tilly Monteiro Heng	30,000	155,000
Non-audit fees paid/payable to Baker Tilly Monteiro Heng	20,000	76,000

The full details of the role of the Audit and Risk Management Committee in relation to the External Auditors is set out in the Audit and Risk Management Committee Report of this Annual Report.

II. Risk Management and Internal Control Framework

The Board acknowledges that risk management and internal control system are an integral part of effective management practice. As risk is inherent in all business activities, hence it is not the Group's objective to eliminate risk totally. There is an on-going process in place to identify, evaluate, monitor and manage key risks faced by the Group and the Board reviews the key risks highlighted to ensure the relevant action is taken to mitigate the risk of the Group to safeguard shareholders' investment and Group's assets.

The Board is assisted by the Risk Management Committee to ensure the risk and control framework is embedded into the culture, processes and structure of the Group.

Further details of the Group's state of risk management and internal control systems are reported in the Statement of Risk Management and Internal Control of this Annual Report.

CORPORATE GOVERNANCE STATEMENT
cont'

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

II. Risk Management and Internal Control Framework *cont'd*

Internal Audit function

The Board has established an Internal Audit function and appointed Ms. Ruth Krishnan as the in-house Internal Auditor Functionally, the Internal Auditor reports to the Audit and Risk Management Committee directly and she is responsible for conducting periodic reviews and appraisals of the effectiveness of the governance, risk management and internal control processes within the Group.

The scope of work covered by the internal audit function during the financial year, summary of activities carried out, including its observations and recommendations, are provided in the Statement on Risk Management and Internal Control and Audit and Risk Management Committee Report of this Annual Report.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

The Company refers to ACE Market Listing Requirements of Bursa Securities as a fundamental basis for the ongoing disclosure and announcement to Bursa Securities. The Board is advised by Management, Company Secretaries, the External Auditors and Advisors on the contents and timing of disclosure of the financial results and various announcements in accordance with the listing requirements.

The Board is committed in providing accurate, useful and timely information about the Company, its business and its activities. Realising the importance of timely and thorough dissemination of material information to the shareholders, investors and the public at large, the Company maintains an open communication policy with its shareholders, investors and public at large and welcome feedback from them.

The Group's information is disseminated through various disclosures and announcements made to Bursa Malaysia Securities Berhad. This information is also published at the Company's corporate website at www.kimteckcheong.com

Integrated Reporting

The nature and pace of change in businesses today have evolved over time and stakeholders are now placing greater emphasis on the future performance and non-financial information of a company. In tandem with the growing demand, the Company would consider adopting integrated reporting in the near future; as such integrated reporting is still new in the current market. The Company will adopt integrated reporting based on a globally recognised framework. This framework would then be utilised in the preparation of Annual Report for the year ending 30 June 2021.

II. Conduct of General Meetings

Notice of general meeting

The Board recognises the rights of shareholders. In order to continue encouraging shareholders participation in the general meetings, the Board would ensure that the Notice of AGM is sent to shareholders at least twenty-eight (28) days ahead of the date of general meeting and to provide sufficient time and opportunities for shareholders to seek clarifications during general meetings on any matters pertaining to the issues in the Annual Report, corporate developments in the Group, the resolutions being proposed and the operational and financial performance of the Company.

CORPORATE GOVERNANCE STATEMENT
cont'd

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS *cont'd*

II. Conduct of General Meetings *cont'd*

Attendance of directors at general meetings

The Annual General Meeting is the key element of the Company's dialogue with its shareholders. During the AGM, shareholders are encouraged to ask questions about the resolutions being proposed, about the Company's operations in general or about the annual reports of the Company and of the Group. All the Directors, Senior Management and External Auditors are available in the Annual General Meeting to provide responses to questions from the shareholders.

The Chairman plays a vital role in fostering constructive dialogue between the Board and the shareholders. All the members of the Board and the respective chairmen of the Board's Committees are present at the meetings to address queries raised by the shareholders which are relevant to their areas of responsibility.

Voting

Effective 1 July 2016, Paragraph 8.31(A) of the ACE Market Listing Requirements provides that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, shall be voted by poll. Furthermore, at least one (1) scrutineer will be appointed to validate the votes cast at the General Meeting who must not be an officer of the Company or its related corporation, and must be independent to the person undertaking the polling process.

COMPLIANCE STATEMENT

The Board is satisfied that the Group has substantially complied with the majority of the practices of the Malaysian Code On Corporate Governance throughout the financial year. In pursuit of safeguarding the interest of the shareholders and other stakeholders, the Board is committed and will continue to strengthen its application of the best practices in corporate governance.

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board of Directors dated 29 October 2018.

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

AUDIT AND RISK COMMITTEE REPORT

The Board of Directors of KTC ("the Board") is pleased to present the report on the Audit and Risk Management Committee ("ARMC") of the Board for the financial year ended 30 June 2018. The ARMC was established on 3 December 2014 by the Board to assist the Directors to carry out their responsibilities. The ARMC is guided by its Terms of Reference as approved by the Board. The ARMC supports and assumes the oversight function in governance, risk management and internal control hence no separate Risk Management Committee was established. In carrying out their duties, the ARMC updated the Board on the issues and concerns discussed during their meetings including those raised by the auditors and where appropriate, made the necessary recommendations to the Board and shall continue to do so from time to time. The AMRC had private meetings with the External Auditors and Internal Auditors respectively. The ARMC had deliberated at length the Audit Review Memorandum and Internal Audit Reports presented by the External Auditors and Internal Auditors respectively as part of the ongoing process to strengthen the financial control and financial reporting framework. The Company Secretary acts as the secretary to the ARMC and circulates the minutes of the Audit Committee Meetings to all members of the Audit Committee. The Chairman of the Audit Committee presents the Committee's reports to the Board and update the progress and status of recommendations of the internal audit findings to the Board on quarterly basis.

MEMBERSHIP AND MEETINGS

ARMC members and details of their attendance at ARMC meetings held during the financial year are as follows:

Name of the Committee Member	Designation	Total Attendance of Meetings
Ms Phang Sze Fui (Chairman)	Independent Non-Executive Director	Newly appointed *(effective 28/9/2018)*
Wong Wen Miin (Member)	Independent Non-Executive Director	Newly appointed *(effective 26/10/2018)*
Tan Jwee Peng (Member)	Senior Independent Non-Executive Director	5/5

The Group Chief Financial Officer ("CFO") was invited to all ARMC meetings to facilitate direct communication in relation to the Group financial results while the Chief Executive Officer ("CEO") was invited to all ARMC meetings to provide information regarding the Group's Risk Management activities. The Group Internal Audit, relevant members of Management, and the External Auditors were also invited to attend the meetings of the Committee, where appropriate, to brief the ARMC on the relevant audit findings.

The ARMC held two private meeting with the External Auditors in 2018 without the presence of the Management. At these meetings, the ARMC enquired about Management's co-operation with the external auditors, their sharing of information and the competencies and adequacy of resources in the financial reporting functions.

The ARMC Chairman also permitted the External Auditors to contact ARMC at any time that they became aware of incidents or matters in the course of their audits or reviews that needed the attention ARMC or the Board. No such contacts were made during FY 2018.

Minutes of each ARMC meeting were recorded and tabled for confirmation at the following ARMC meeting and subsequently presented to the Board for notation.

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

cont'd

SUMMARY OF ACTIVITIES

The ARMC reports regularly to the Board on its activities, deliberations and recommendations in discharging its duties and responsibilities, which the Committee has reviewed to ensure it is in line with the Ace Market Listing Requirements of Bursa Malaysia.

The main activities undertaken by the ARMC during the financial year are as below:

Risk Management and Internal Control

- Reviewed the internal audit plan for adequacy of scope and coverage and risk areas using the risk-based approach.
- Reviewed the risk assessment results and the mitigation actions reported by internal Auditor and regularly review the update on the action plans to ensure significant internal controls are promptly implemented to mitigate the risks identified.
- Reviewed the effectiveness and adequacy of governance, risk management, operational and compliance processes.
- Reviewed the adequacy and effectiveness of corrective actions taken by Management on all significant matters raised.
- Reviewed the effectiveness of Fraud Risk Assessment performed by Internal Auditor and suggest improvements.
- Continuously monitored whistleblowing program and procedures as part of the risk management structure and good corporate governance practice.

External Audit

- Reviewed and discussed with the external auditors' audit planning memorandum covering audit scope, audit plan, key audit areas and proposed fees for the statutory audit and other non-audit services based on the external auditors' presentation of the audit strategy and plan to ensure that their scope of work adequately covered the activities of the Group.
- Reviewed and approved the external auditor's audit plan and the scope for the annual audit.
- Reviewed and discussed with the external auditor on the audit results, audit reports and financial statements of the Group.
- Met with the external auditors without the presence of Executive Directors and Management.

Financial Results

- Reviewed the quarterly and annual financial statements of the Company and Group, including announcements, and recommended them to the Board for approval.
- Reviewed the quarterly unaudited financial results of the Company for FY 2018 together with the Group CFO, focusing particularly on significant changes to accounting policies and practices, significant or unusual events, compliance with accounting standards and other legal requirements prior to recommending the same to the Board of Directors for approval and release to Bursa Malaysia.

Related Party Transactions

- Reviewed any related party transaction and conflict of interest situation that may arise within the Company or its Group including any transaction, procedure or course of conduct that raises questions of management integrity (where applicable).
- Independent review of related party transaction.

Others

- Reviewed a revised delegation of authority proposed by the Management to ensure completeness of business decisions listed prior to recommending to the Board for approval.
- Review the quality of the internal audit function.
- Reviewed the Incident Reports by the Human Resource Director in quarterly basis.

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

cont'd

INTERNAL AUDIT FUNCTION

The Group has established an internal audit function as a key component of its internal control appraisal process. The Group Internal Audit ("GIA") reports independently to the ARMC and is guided by a formalized Internal Audit Charter.

The main responsibility of the GIA function is to undertake independent assessments on the adequacy and effectiveness of internal controls pertaining to key areas as below:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations;
- Safeguarding of assets; and
- Compliance with applicable laws, and regulations.

The Internal Audit methodology used is Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and International Professional Practices Framework (IPPF) Issued by The Institute of Internal Auditors.

During the financial year ended 30 June 2018, the ARMC reviewed the following reports as presented by the Internal Auditor:

(a) Internal Audit Report on KTC Sarawak – Miri, Bintulu & Kuching
(b) Follow up on Management's Action Plans.
(c) Internal Audit Report on KTC Sdn Bhd, KTC Distribution and KTC Borneo
(d) Internal Audit Report on Kim Teck Cheong Consolidated Berhad and KTC Tawau
(e) Risk Assessment Report on the updates of Key Risk Profiles ("KRP) and Risk Assessment Map
(f) Fraud Risk Assessment and Risk Profiling.

Internal audit reports are issued by the internal Auditor contain improvement opportunities, audit findings, Management response and corrective actions in areas with significant risks and internal control deficiencies. Management provides the corrective and preventive actions as well as deadlines to complete the actions. These reports together with follow-up audit reports were tabled to the ARMC for deliberation. Management is required to be present at the ARMC meetings to respond and provide feedback on their progress on business process improvement opportunities identified by Internal Auditor.

ARMC had deliberated at length the findings and key risks and have provided the Internal Auditors several areas for coverage in 2018 audit plan both financial and non- financial risk and control areas.

The Internal Auditors work closely with the Group's Compliance and Finance personnel to strengthen the five lines of assurance in KTC group.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors recognises the importance of a sound framework of risk management and internal controls for good corporate governance and to safeguard the Group's assets and shareholders' interests. Towards this end, the Board is committed to maintain a sound risk management framework and internal control system for the Group and ensuring its continued effectiveness, adequacy and integrity. Guided by the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers and ACE Market Listing Requirements, the Board of Kim Teck Cheong Consolidated Berhad is pleased to present the Statement on Risk Management and Internal Control.

RESPONSIBILITY OF THE BOARD

The Board assumes the responsibility for effective and adequacy of the Group's risk management and internal control system and has established term of reference to assist in discharging of this responsibility. The Board's responsibility in relation to the system of internal control encompasses all subsidiaries of the Company. The Board acknowledges the need for a more formal risk management framework and process that is capable in providing a reasonable assurance that risk is managed within tolerable ranges.

As such the Board has delegated the responsibility of undertaking this process of periodic review on quarterly basis to the Audit and Risk Management Committee (ARMC), whose responsibilities and duties are detailed in the ARMC Report section of this Annual Report.

The Board also acknowledges that due to the limitations that are inherent in any system of internal controls as the internal control system can only reduce but not totally eliminate risk that impede the achievement of the Group's business objectives. Therefore, the internal control system can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

RISK MANAGEMENT FRAMEWORK

Kim Teck Cheong Consolidated Berhad adopts The Committee of Sponsoring Organization of the Treadway Commission ("COSO") framework as a guideline for identifying, evaluating, managing and monitoring significant risks by the Group in order to align its risk management process with industry best practices.

The Group adopts a decentralised approach to risk management, whereby all employees take ownership and accountability for risks at their respective levels. The process of risk management and treatment is the responsibility of the Head of Department.

A working group, comprising key personnel from all departments provides risk management support to the top management for the Group as a whole. The role of the working group includes reporting on an annual basis, the status of the risk mitigation actions, new risks identified and risk that have been the Internal Audit Committee for their oversight role on risk management and the Internal Audit Committee reports to the Board on any significant changes in the business and external environment which affect key risks.

KEY INTERNAL CONTROL PROCESSES

The Groups' internal control system comprises the following key processes:

1. **Authority and Responsibility**

    a) ***Board Committee***

    Board Committee is established and operated under clearly defined Terms of Reference, which are reviewed regularly, to objectively and independently focus on certain responsibilities delegated by the Board.

    b) ***Delegation of Authority***

    The Management has implemented Delegation of Authority, which is in line with the growth of the business in the organisation. The revised delegation of authority clearly defines the authority and authorisation limits of the Management in all aspects of the Company's key business decisions.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

KEY INTERNAL CONTROL PROCESSES *cont'd*

2. Monitoring and Reporting

Monthly management meetings are led by the respective country heads for various lines of operations and business units, on key business performance, operating statistics and regular matters. This enables effective monitoring of significant variances and deviation from standard operating procedures and budget. The Board is also kept appraised of the Company's performance during the scheduled board meetings with the Company's business performance and plans being reviewed and deliberated.

3. Policies and Procedures

The Group has defined and documented internal policies and standard operating procedures to ensure inter alia sound internal controls are implemented and compliance with applicable laws and regulations. The policies and procedures are also being reviewed to ensure its relevance and effectiveness in which internal audit function carried out a review policy and procedure on the Group's operations.

4. Human Capital

a) Performance appraisal & employee trainings

Annual appraisal systems are implemented for the employees at all levels within the Group, enforcing dialogue between management and subordinates for continuous improvement on employees' performance. Arising from this appraisal, training need analysis is performed to identify the required training for employees to address the areas of improvement identified.

b) Code of ethics

A set of code of ethics setting out expected ethical standards and code of conduct has been established, which is binding on all employees in the Group.

c) Whistleblowing policy

The Group has implemented a whistleblowing policy to provide an avenue for employees to report any suspected acts that are in breach of the Group's code of ethics, internal policy and applicable laws or regulations in a confidential manner.

The policy also guarantees an employee making a report of improper conduct in good faith shall not be subject to reprisal action or discrimination of any kind by the Company. The Senior Independent Non-Executive Director is primarily responsible to ensure that all whistleblowing reports are properly followed up.

d) Fraud policy

The Group has implemented a policy on acts of Fraud, Misconduct and Dishonesty, which provides the specific procedures or instructions regarding the appropriate actions needed to be undertaken in cases of suspected violations.

5. Insurance

Adequate insurance for major assets; building and machinery in all operating divisions and subsidiaries are in place to ensure the Group's assets are sufficiently covered against any calamity that will result in material losses to the Group.

6. Internal Audit

As part of the Group's efforts to establish a sound framework for risk management and internal control, an in-house audit function is established as a key component of its internal control processes. The Group Internal Audit ("GIA") reports independently to the ARC and is guided by a formalised Internal Audit Charter.

Acting as the third layer of defence in internal control, the Internal Audit reviews for the Group based on an annual internal audit plan were approved by the ARC.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the ACE Market Listing Requirements of Bursa Securities and AAPG 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control, issued by Malaysia Institute of Accountants, the external auditors have performed a limited assurance engagement on the Statement on Risk Management and Internal Control for the inclusion in this Annual Report for the financial year ended 30 June 2018. The external auditors reported that nothing has come to their attention that could cause them to believe that the Statement is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the “Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers” to be set out, or is factually inaccurate.

This statement is approved by the Board of Directors on 29 October 2018.

THE BOARD’S CONCLUSION

The system of risk management and internal controls comprising the respective framework, management and monitoring processes as described in this Statement are considered appropriate. Based on inquiry, information and assurances provided by the Group, the Board is satisfied that the system of risk management and internal controls for the year under review was generally satisfactory. Measures are in place and continually being taken to ensure the ongoing adequacy and effectiveness of internal controls to safeguard the Group’s assets and shareholders’ investment. There were no material losses that have arisen from any inadequacy or failure of the Group’s internal control system which requires additional disclosure in the financial statements. The Board consistently believe that by maintaining a balanced achievement of its business objectives and operational efficiency, it will bring about a better and more effective performance and results of the Group.

The Board of Directors of Kim Teck Cheong Consolidated Berhad

Date: 29 October 2018

ADDITIONAL INFORMATION

The information set out below is disclosed in compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad:

1. UTILISATION OF PROCEEDS

The status of utilisation of the gross proceeds from the IPO amounting to RM21.30 million are as follows:

	Purposes	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation RM'000	Estimated timeframe for use (from the listing date)
(i)	Acquisition of warehousing facilities including land and building, in Sibu, Miri and Kuching	9,000	3,000	6,000	Within 24 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**	

The utilisation of proceeds disclosed above should be read in conjunction with the Prospectus of the Company dated 28 October 2015.

2. NON-AUDIT FEES

The non-audit fees paid to the external auditors of the Company in relation to the services rendered for the Group for the financial year ended 30 June 2018 amounted to RM76,000 (2017: RM69,000-00) for review of interim financial information, review of statement of risk management and internal control and tax compliance services.

3. REVALUATION POLICY ON LANDED PROPERTIES

The Company does not have a policy of regular revaluation of landed properties.

4. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and/or its subsidiaries during the financial year ended 30 June 2018 or entered into since the end of the previous financial year, which involves the interest of Directors and/or major shareholders.

ADDITIONAL INFORMATION
cont'd

5. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There were no options, warrants or convertible securities issued during the financial year ended 30 June 2018.

6. SANCTION AND/OR PENALTY IMPOSED

There was no sanction and/or penalty imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year ended 30 June 2018.

DIRECTORS' RESPOSIBILITY STATEMENT

The Board is required by the Companies Act 2016 to present the financial statements for each financial year which have been made out in accordance with the applicable approve accounting standards and give a true and fair view of the state of affairs, the results and cash flows of the Group and the Company.

The Board is satisfied that in preparing the financial statements of the Group and the Company for the financial year ended 30 June 2018, the appropriate accounting policies were used and applied consistently, adopted to include new and revised Malaysian Financial Reporting Standards ("MFRS") where applicable. The Board is also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

The Directors are responsible for ensuring that the Company keeps proper accounting records which enable the financial position of the Group and the Company to be disclosed with reasonable accuracy and which enable them to ensure that the financial statements comply with the Companies Act 2016.

The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group to prevent and detect fraud and irregularities.

COMPLIANCE STATEMENT

The Board confirms that the Group has made significant effort to maintain high standards of corporate governance throughout the year under review. The Board acknowledges that achieving excellence in corporate governance is a continuous process and is committed to play a pro-active role in steering the Group towards the highest level of integrity and ethical standards. This statement is made in accordance with the resolution of the Board of Directors dated 29 October 2018.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2018.

PRINCIPAL ACTIVITY

The Company is principally engaged in investment holding. The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Loss for the financial year	(6,793,055)	(1,074,599)
Attributable to:		
Owners of the Company	(8,127,784)	(1,074,599)
Non-controlling interests	1,334,729	-
	(6,793,055)	(1,074,599)

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of the current financial year.

RESERVES OR PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

DIRECTORS' REPORT
cont'd

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

(ii) any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liability of the Group or of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

DIRECTORS' REPORT
cont'd

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Datuk Deleon Quadra @ Kamal Quadra	
Datuk Lau Koh Sing @ Lau Kok Sing *	
Datin Lim Fook Len @ Lim Su Chin *	
Lau Wei Dick @ Dexter Dick Lau *	
Lim Hui Kiong *	
Tan Jwee Peng	
Lindfay Laura Lau	*(Appointed on 7 August 2018)*
Phang Sze Fui	*(Appointed on 28 September 2018)*
Wong Wen Miin	*(Appointed on 26 October 2018)*
Wee Hock Kee	*(Resigned on 10 September 2018)*
Tengku Datin Paduka Setia Zatashah Binti Sultan Sharafuddin Idris Shah	*(Resigned on 26 October 2018)*

* *Directors of the Company and certain subsidiaries*

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are:

Benedick Vicpaul Lau
Phang Weei Horng
Sharin Bin Alimin
Woo Chung Heng

DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

Interest in the Company

		Number of ordinary shares			
		At 1 July 2017	**Bought**	**Sold**	**At 30 June 2018**
Indirect interests:					
Datuk Lau Koh Sing @ Lau Kok Sing	*	368,277,000	-	-	368,277,000
Lau Wei Dick @ Dexter Dick Lau	*	368,277,000	-	-	368,277,000
Lim Hui Kiong	*	368,277,000	-	-	368,277,000

Interest in the immediate holding company
- Kim Teck Cheong Holdings Sdn. Bhd.

		Number of ordinary shares			
		At 1 July 2017	**Bought**	**Sold**	**At 30 June 2018**
Direct interests:					
Datuk Lau Koh Sing @ Lau Kok Sing		3,142,692	-	-	3,142,692
Lim Hui Kiong		810,943	-	-	810,943
Indirect interests:					
Datuk Lau Koh Sing @ Lau Kok Sing	*	11,969,057	-	-	11,969,057
Lau Wei Dick @ Dexter Dick Lau	*	11,969,057	-	-	11,969,057

DIRECTORS' INTERESTS *cont'd*

Interest in the ultimate holding company
- Kim Teck Cheong Capital Sdn. Bhd.

	Number of ordinary shares			
	At 1 July 2017	**Bought**	**Sold**	**At 30 June 2018**
Direct interests:				
Datuk Lau Koh Sing @ Lau Kok Sing	75,231	-	-	75,231
Datin Lim Fook Len @ Lim Su Chin	1,036	-	-	1,036
Lau Wei Dick @ Dexter Dick Lau	43,056	-	-	43,056

* *Shares held through company in which the director has substantial financial interests.*

By virtue of their interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Datuk Lau Koh Sing @ Lau Kok Sing, Lau Wei Dick @ Dexter Dick Lau and Lim Hui Kiong are deemed to have interests in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

Other than as stated above, the other directors in office at the end of the financial year did not have any interest in ordinary shares of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 21 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

INDEMNITY TO DIRECTORS AND OFFICERS

Every director and other officer for the time being of the Company shall be indemnified out of the assets of the Company against any liability incurred or sustained by him in execution of the duties of his office or in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or in connection with any application under the Companies Act 2016 ("the Act") in which relief is granted to him by the court provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the said person. But this article only has effect in so far as its provisions are not avoided by the Act.

During the financial year, there was no insurance effected for any directors or officers of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

HOLDING COMPANIES

The directors regard Kim Teck Cheong Capital Sdn. Bhd. and Kim Teck Cheong Holdings Sdn. Bhd., all of which are incorporated and domiciled in Malaysia, as the ultimate holding company and immediate holding company of the Company respectively.

DIRECTORS' REPORT
cont'd

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 20 to the financial statements.

INDEMNITY TO AUDITORS

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng, are retiring and not seeking re-appointment.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

DATUK LAU KOH SING @ LAU KOK SING
Director

LAU WEI DICK @ DEXTER DICK LAU
Director

Date: 29 October 2018

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM (Restated)	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	71,835,592	72,269,755	71,224	94,716
Investment in subsidiaries	6	-	-	89,311,301	89,311,301
Goodwill on consolidation	7	5,981,384	5,981,384	-	-
Other intangible asset	8	78,964	157,928	-	-
Deferred tax assets	9	-	127,135	-	127,135
Total non-current assets		77,895,940	78,536,202	89,382,525	89,533,152
Current assets					
Inventories	10	103,120,836	79,644,492	-	-
Trade and other receivables	11	129,068,845	114,884,643	20,708,270	12,630,457
Tax assets		1,627,811	2,785,317	-	39,160
Cash and bank balances	12	6,791,981	2,776,931	1,439,373	163,813
Total current assets		240,609,473	200,091,383	22,147,643	12,833,430
TOTAL ASSETS		318,505,413	278,627,585	111,530,168	102,366,582
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	13	99,360,373	99,360,373	99,360,373	99,360,373
Other reserves	15	8,889,847	9,231,138	-	-
Reorganisation deficit	16	(47,962,248)	(47,962,248)	-	-
Retained earnings/(Accumulated losses)		21,491,999	29,497,369	(6,213,262)	(5,138,663)
		81,779,971	90,126,632	93,147,111	94,221,710
Non-controlling interests		4,328,288	3,139,477	-	-
TOTAL EQUITY		86,108,259	93,266,109	93,147,111	94,221,710

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2018

cont'd

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM (Restated)	RM	RM
Non-current liabilities					
Loans and borrowings	17	20,418,786	19,544,486	-	-
Deferred tax liabilities	9	5,183,590	6,140,968	8,971	-
Total non-current liabilities		25,602,376	25,685,454	8,971	-
Current liabilities					
Trade and other payables	18	34,861,492	25,627,278	18,308,447	8,144,872
Loans and borrowings	17	171,110,370	133,590,784	-	-
Tax liabilities		822,916	457,960	65,639	-
Total current liabilities		206,794,778	159,676,022	18,374,086	8,144,872
TOTAL LIABILITIES		232,397,154	185,361,476	18,383,057	8,144,872
TOTAL EQUITY AND LIABILITIES		318,505,413	278,627,585	111,530,168	102,366,582

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM (Restated)	RM	RM
Revenue	19	459,221,016	428,565,859	4,548,666	4,386,423
Cost of sales		(405,206,012)	(375,871,859)	-	-
Gross profit		54,015,004	52,694,000	4,548,666	4,386,423
Other income		7,945,667	3,216,309	185,074	57,755
Administrative expenses		(16,270,979)	(15,644,063)	(5,590,297)	(6,102,636)
Selling and distribution expenses		(30,531,591)	(27,990,660)	-	-
Other expenses		(12,567,478)	(2,751,831)	-	-
		(59,370,048)	(46,386,554)	(5,590,297)	(6,102,636)
Operating profit/(loss)		2,590,623	9,523,755	(856,557)	(1,658,458)
Finance costs		(7,885,652)	(7,231,399)	-	-
(Loss)/Profit before tax	20	(5,295,029)	2,292,356	(856,557)	(1,658,458)
Tax expense	22	(1,498,026)	(1,404,382)	(218,042)	(140,752)
(Loss)/Profit for the financial year		(6,793,055)	887,974	(1,074,599)	(1,799,210)
Other comprehensive loss, net of tax					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of a foreign operation		(364,795)	(81,509)	-	-
Total comprehensive (loss)/income for the financial year		(7,157,850)	806,465	(1,074,599)	(1,799,210)
(Loss)/Profit attributable to:					
Owners of the Company		(8,127,784)	418,810	(1,074,599)	(1,799,210)
Non-controlling interests		1,334,729	469,164	-	-
		(6,793,055)	887,974	(1,074,599)	(1,799,210)
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(8,346,661)	337,301	(1,074,599)	(1,799,210)
Non-controlling interests		1,188,811	469,164	-	-
		(7,157,850)	806,465	(1,074,599)	(1,799,210)
Basic (loss)/earnings per share (sen):	23	(1.59)	0.08		
Diluted (loss)/earnings per share (sen):	23	(1.21)	0.06		

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

		← Attributable to owners of the Company →								
Group	Note	Share capital RM	Share premium RM	Revaluation reserve RM	Exchange reserve RM	Reorganisation deficit RM	Retained earnings RM	Sub-total RM	Non-controlling interests RM	Total equity RM
At 30 June 2017										
- As previously reported		99,360,373	-	9,312,647	(81,509)	(47,962,248)	30,193,594	90,822,857	3,139,477	93,962,334
- Adjustment to purchase price allocation	6(c)	-	-	-	-	-	(696,225)	(696,225)	-	(696,225)
Restated balance at 1 July 2017		99,360,373	-	9,312,647	(81,509)	(47,962,248)	29,497,369	90,126,632	3,139,477	93,266,109
Total comprehensive loss for the financial year										
Loss for the financial year		-	-	-	-	-	(8,127,784)	(8,127,784)	1,334,729	(6,793,055)
Translation differences		-	-	-	(218,877)	-	-	(218,877)	(145,918)	(364,795)
Total comprehensive loss		-	-	-	(218,877)	-	(8,127,784)	(8,346,661)	1,188,811	(7,157,850)
Realisation of revaluation reserve	15	-	-	(122,414)	-	-	122,414	-	-	-
At 30 June 2018		99,360,373	-	9,190,233	(300,386)	(47,962,248)	21,491,999	81,779,971	4,328,288	86,108,259

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018
cont'd

		Attributable to owners of the Company								
		Share capital	Share premium	Revaluation reserve	Exchange reserve	Reorganisation deficit	Retained earnings	Sub-total	Non-controlling interests	Total equity
Group	**Note**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
At 1 July 2016		75,029,558	24,330,815	9,495,625	-	(47,962,248)	28,895,581	89,789,331	866,252	90,655,583
Total comprehensive income for the financial year										
Profit for the financial year		-	-	-	-	-	418,810	418,810	469,164	887,974
Translation differences		-	-	-	(81,509)	-	-	(81,509)	-	(81,509)
Total comprehensive income		-	-	-	(81,509)	-	418,810	337,301	469,164	806,465
Realisation of revaluation reserve	15	-	-	(182,978)	-	-	182,978	-	-	-
Transactions with owners										
Adjustment for effect of CA 2016 *		24,330,815	(24,330,815)	-	-	-	-	-	-	-
Non-controlling interests arising from acquisition of a new subsidiary	6	-	-	-	-	-	-	-	1,804,061	1,804,061
Total transactions with owners		24,330,815	(24,330,815)	-	-	-	-	-	1,804,061	1,804,061
At 30 June 2017		99,360,373	-	9,312,647	(81,509)	(47,962,248)	29,497,369	90,126,632	3,139,477	93,266,109

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018
cont'd

Company	Share capital RM	Share premium RM	Accumulated losses RM	Total equity RM
At 1 July 2016	75,029,558	24,330,815	(3,339,453)	96,020,920
Total comprehensive loss for the financial year				
Loss for the financial year, representing total comprehensive loss	-	-	(1,799,210)	(1,799,210)
Adjustment for effect of CA 2016*	24,330,815	(24,330,815)	-	-
At 30 June 2017	99,360,373	-	(5,138,663)	94,221,710
Total comprehensive loss for the financial year				
Loss for the financial year, representing total comprehensive loss	-	-	(1,074,599)	(1,074,599)
At 30 June 2018	99,360,373	-	(6,213,262)	93,147,111

* *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 RM24,330,815 for the purposes set out in Section 618(3) of the CA 2016.*

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
			(Restated)		
Cash flows from operating activities					
(Loss)/Profit before tax		(5,295,029)	2,292,356	(856,557)	(1,658,458)
Adjustments for:					
Amortisation of intangible asset	8	78,964	78,964	-	-
Bad debts written off	11	149,785	1,788	-	-
Depreciation of property, plant and equipment	5	4,475,951	3,542,234	23,745	18,076
Gain on bargain purchase arising from acquisition of subsidiaries	6	-	(1,477,262)	-	-
Gain on disposal of property, plant and equipment		(60,732)	(7,499)	-	-
Interest income		(238,534)	(228,034)	(185,090)	(21,935)
Interest expense		7,885,652	7,231,399	-	-
Inventories written off	10	2,660,694	2,347,591	-	-
Impairment loss on:					
- trade receivables	11	43,566	384,675	-	-
- other receivables		-	21,672	-	-
Other receivables written off	11	8,858,390	-	-	-
Prepayments written off	11	384,154	-	-	-
Property, plant and equipment written off		54,798	206	-	-
Reversal of impairment loss on trade receivables	11	(157,555)	-	-	-
Waiver of payables		(1,428,926)	-	-	-
Operating profit/(loss) before working capital changes		17,411,178	14,188,090	(1,017,902)	(1,662,317)
Inventories		(26,137,038)	(16,846,612)	-	-
Trade and other receivables		(23,462,542)	(14,525,287)	(1,626,136)	(889,700)
Trade and other payables		10,284,821	(12,542,449)	(766,452)	424,564
Net cash used in operations		(21,903,581)	(29,726,258)	(3,410,490)	(2,127,453)
Interest paid		(2,805,601)	(1,142,549)	-	-
Interest received		238,534	228,034	8,409	21,935
Tax (paid)/refunded		(792,316)	(2,812,197)	22,863	(20,410)
Net cash used in operating activities, carried forward		(25,262,964)	(33,452,970)	(3,379,218)	(2,125,928)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018
cont'd

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
			(Restated)		
Net cash used in operating activities, brought forward		(25,262,964)	(33,452,970)	(3,379,218)	(2,125,928)
Cash flows from investing activities					
Acquisition of subsidiaries, net of cash acquired	6(d)	-	(4,482,442)	-	(4,435,562)
Advances to subsidiaries		-	-	(6,451,677)	(5,482,710)
Interest received		-	-	176,681	-
Proceeds from disposal of property, plant and equipment		257,999	7,500	-	-
Purchase of property, plant and equipment	5	(3,471,746)	(5,264,417)	(253)	(56,983)
Net cash used in investing activities		(3,213,747)	(9,739,359)	(6,275,249)	(9,975,255)
Cash flows from financing activities					
Advances from directors		9,941	22,834	-	-
Advances from/(Repayments to) subsidiaries		-	-	10,930,027	(350,543)
Net drawdown of bankers' acceptance		9,646,806	4,546,111	-	-
Net drawdown of revolving credit		-	8,000,000	-	-
Net drawdown of term loans		2,094,642	525,712	-	-
Interest paid		(5,080,051)	(6,088,850)	-	-
Net payments of finance lease liabilities		(2,326,585)	(699,739)	-	-
Net drawdown of trust receipts		14,875,580	2,184,953	-	-
Net cash from/(used in) financing activities		19,220,333	8,491,021	10,930,027	(350,543)
Net (decrease)/increase in cash and cash equivalents		(9,256,378)	(34,701,308)	1,275,560	(12,451,726)
Cash and cash equivalents at the beginning of the financial year		(23,884,552)	10,898,136	163,813	12,615,539
Effects of foreign exchange rate changes		(102,698)	(81,380)	-	-
Cash and cash equivalents at the end of the financial year	12	(33,243,628)	(23,884,552)	1,439,373	163,813

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

cont'd

(a) Reconciliation of liabilities arising from financing activities:

	1.7.2017	Cash flows	← Non cash movement Acquisition	Foreign exchange movement →	30.6.2018
	RM	RM	RM	RM	RM
Group					
Amounts due to directors	22,834	9,941	-	1,759	34,534
Bankers' acceptances	83,663,437	9,646,806	-	-	93,310,243
Finance lease liabilities	6,142,295	(2,326,585)	835,212	-	4,650,922
Revolving credit	18,000,000	-	-	-	18,000,000
Term loans	16,483,102	2,094,642	-	-	18,577,744
Trust receipts	2,184,953	14,875,580	-	(105,895)	16,954,638
	126,496,621	24,300,384	835,212	(104,136)	151,528,081
Company					
Amounts due to subsidiaries	7,138,999	10,930,027	-	-	18,069,026

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Company is located at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur.

The principal place of business of the Company is located at Lot 73, Jalan Kilang, SEDCO Light Industrial Estate, Mile 5 ½ Jalan Tuaran, 88450 Kota Kinabalu, Sabah.

The directors regard Kim Teck Cheong Capital Sdn. Bhd. and Kim Teck Cheong Holdings Sdn. Bhd., all of which are incorporated and domiciled in Malaysia, as the ultimate holding company and immediate holding company of the Company respectively.

The Company is principally engaged in investment holding. The principal activities of its subsidiaries are disclosed in Note 6. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 October 2018.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

2.2 Adoption of amendments/improvements to MFRSs

The Group and the Company have adopted the following amendments/improvements to MFRSs that are mandatory for the current financial year:

Amendments/Improvements to MFRSs	
MFRS 12	Disclosure of Interest in Other Entities
MFRS 107	Statement of Cash Flows
MFRS 112	Income Taxes

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies, except for those as discussed below:

Amendments to MFRS 107 Statements of Cash Flows

Amendments to MFRS 107 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

The Group and the Company have applied the Amendments prospectively and accordingly, have disclosed the reconciliations in Note (a) of the statements of cash flows.

2. BASIS OF PREPARATION *cont'd*

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
<u>New MFRSs</u>		
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
<u>Amendments/Improvements to MFRSs</u>		
MFRS 2	Share-based Payment	1 January 2018/ 1 January 2020*
MFRS 3	Business Combinations	1 January 2019/ 1 January 2020*
MFRS 4	Insurance Contracts	1 January 2018
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 9	Financial Instruments	1 January 2019
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 14	Regulatory Deferral Accounts	1 January 2020*
MFRS 101	Presentation of Financial Statements	1 January 2020*
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020*
MFRS 112	Income Taxes	1 January 2019
MFRS 119	Employee Benefits	1 January 2019
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2018/ 1 January 2019/ Deferred
MFRS 134	Interim Financial Reporting	1 January 2020*
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020*
MFRS 138	Intangible Assets	1 January 2020*
MFRS 140	Investment Property	1 January 2018
<u>New IC Int</u>		
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. BASIS OF PREPARATION *cont'd*

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective *cont'd*

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued, but yet to be effective: *cont'd*

		Effective for financial periods beginning on or after
Amendments to IC Int		
IC Int 12	Service Concession Arrangements	1 January 2020*
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020*
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020*
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2020*
IC Int 132	Intangible Assets – Web Site Costs	1 January 2020*

* *Amendments to References to the Conceptual Framework in MFRS Standards*

2.3.1 The Group and the Company plan to adopt the above applicable new MFRSs, amendments/ improvements to MFRSs, new IC Int and amendments to IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int are summarised below.

MFRS 9 Financial Instruments

Key requirements of MFRS 9:

- MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

  In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.

2. BASIS OF PREPARATION *cont'd*

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective *cont'd*

2.3.1 *cont'd*

MFRS 9 Financial Instruments *cont'd*

Key requirements of MFRS 9: *cont'd*

- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

(i) identify the contracts with a customer;
(ii) identify the performance obligation in the contract;
(iii) determine the transaction price;
(iv) allocate the transaction price to the performance obligations in the contract; and
(v) recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue – Barter Transactions Involving Advertising Services

MFRS 16 Leases

Currently under MFRS 117 *Leases*, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. BASIS OF PREPARATION *cont'd*

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective *cont'd*

2.3.1 *cont'd*

Amendments to MFRS 3 Business Combinations and MFRS 11 Joint Arrangements

Amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. Amendments to MFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

Amendments to MFRS 9 Financial Instruments

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The Amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These Amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the Amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly inequity.

Amendments to MFRS 123 Borrowing Costs

Amendments to MFRS 123 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

IC Int 22 Foreign Currency Transactions and Advance Consideration

IC Int 22 clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

2. BASIS OF PREPARATION *cont'd*

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective *cont'd*

2.3.1 *cont'd*

IC Int 23 Uncertainty over Income Tax Treatments

IC Int clarifies that where there is uncertainty over income tax treatments, an entity shall:

(i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.

(ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

Amendments to References to the Conceptual Framework in MFRS Standards

The Malaysian Accounting Standards Board has issued a revised Conceptual Framework for Financial Reporting and amendments to fourteen Standards under the Malaysian Financial Reporting Standards Framework on 30 April 2018.

The revised Conceptual Framework comprises a comprehensive set of concepts of financial reporting. It is built on the previous version of the Conceptual Framework issued in 2011. The changes to the chapters on the objective of financial reporting and qualitative characteristics of useful financial information are limited, but with improved wordings to give more prominence to the importance of providing information need to assess management's stewardship of the entity's economic resources.

Other improvements of the revised Conceptual Framework include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance – in particular the definition of a liability – and clarifications in important areas, such as the role of prudence and measurement uncertainty in financial reporting.

The Amendments to the fourteen Standards are to update the references and quotations in these Standards which include MFRS 2, MFRS 3, MFRS 6, MFRS 14, MFRS 101, MFRS 108, MFRS 134, MFRS 137, MFRS 138, IC Int 12, IC Int 19, IC Int 20, IC Int 22 and IC Int 132.

2.3.2 The Group and the Company are currently performing a detailed analysis to determine the election of the practical expedients and to quantify the financial effects arising from the adoption of the new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int.

2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

2.5 Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. BASIS OF PREPARATION *cont'd*

2.6 Use of estimates and judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the Group's and the Company's financial statements are disclosed in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

(a) Reorganisation

Acquisition of entities under a reorganisation scheme does not result in any change in economic substance. Accordingly, the consolidated financial statements of the Company are a continuation of the acquired entity and is accounted for as follows:

- the assets and liabilities of the acquired entity is recognised and measured in the consolidated financial statements at the pre-combination carrying amounts, without restatement to fair value;
- the retained earnings and other equity balances of acquired entity immediately before the business combination are those of the Group; and
- the equity structure, however, reflects the equity structure of the Company and the differences arising from the change in equity structure of the Group will be accounted for in other reserves.

(b) Subsidiaries and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.1 Basis of consolidation *cont'd*

(b) Subsidiaries and business combination *cont'd*

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by- acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

The accounting policy for goodwill is set out in Note 3.7(a).

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture, an available-for-sale financial asset or a held for trading financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.1 Basis of consolidation *cont'd*

(c) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

(d) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries is measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.10(b).

3.3 Foreign currency transactions and operations

(a) Translation of foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities at the exchange rates prevailing at the transaction dates.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.3 Foreign currency transactions and operations *cont'd*

(b) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

Exchange differences arising on the translation are recognised in other comprehensive income. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non- controlling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in foreign exchange translation reserve is reattributed to non-controlling interests. For partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount in foreign exchange translation reserve is reclassified to profit or loss.

3.4 Financial instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contract provisions of the financial instrument.

Financial instruments are recognised initially at fair value, except for financial instruments not measured at fair value through profit or loss, they are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(a). Gains and losses are recognised in profit or loss through the amortisation process.

(ii) Financial liabilities

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.4 Financial instruments *cont'd*

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company themselves purchase or sell an asset). Trade date accounting refers to:

(i) the recognition of an asset to be received and the liability to pay for it on the trade date;and
(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.5 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment (other than leasehold land and buildings) are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b).

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.15.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leasehold land and buildings are measured at fair value, based on valuations by external independent valuers, less accumulated depreciation on buildings and leasehold land and any accumulated impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the fair value of the leasehold land and buildings does not differ materially from the carrying amount. Any accumulated depreciation as at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

A revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

The revaluation reserve is transferred to retained earnings as the assets are used. The amount of revaluation reserve transferred is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss as incurred.

(c) Depreciation

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.5 Property, plant and equipment *cont'd*

(c) Depreciation *cont'd*

All other property, plant and equipment are depreciated on the straight-line basis by allocating their depreciable amounts over their remaining useful lives. The principal useful lives and depreciation rates are as follows:

Leasehold land	56 years to 84 years
Leasehold buildings	45.5 years
Office equipment, furniture and fittings and computers	10% to 20%
Motor vehicles	20%
Plant and machineries	10%
Warehouse equipment	10% to 15%
Renovation	10%

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

(d) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

3.6 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

(a) Lessee accounting

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

For operating leases, the Group and the Company do not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.6 Leases *cont'd*

(b) Lessor accounting

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

3.7 Goodwill and other intangible assets

(a) Goodwill

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initially recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note3.10(b).

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end.

The amortisation methods used and the estimated useful lives are as follows:

	Method	**Useful lives (years)**
Other intangible asset	Revenue-based	4

The residual values, useful lives and amortisation methods are reviewed at the end of each reporting period.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.8 Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- raw materials: purchase costs on a first-in first-out basis.
- finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.9 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are presented net of bank overdrafts.

3.10 Impairment of assets

(a) Impairment and uncollectibility of financial assets

At each reporting date, all financial assets are assessed whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the Group and the Company include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for impairment for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

The amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account and the loss is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.10 Impairment of assets *cont'd*

(a) Impairment and uncollectibility of financial assets *cont'd*

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If a write-off is later recovered, the recovery is credited to the profit or loss.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount. For goodwill and intangible assets that have indefinite useful life and are not yet available for use, the recoverable amount is estimated at each reporting date.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

The recoverable amount of an asset or an CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.11 Share capital

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.12 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group and the Company.

(b) Defined contribution plans

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in profit or loss in the period in which the employees render their services.

3.13 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

3.14 Revenue and other income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of discounts, rebates, returns and taxes.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Rendering of services

Revenue from a contract to provide services is recognised by service rendered and customers' acceptance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.14 Revenue and other income *cont'd*

(c) Interest income

Interest income is recognised on accrual basis using the effective interest method.

(d) Rental income

Rental income is recognised on a straight-line basis over the lease term of an ongoing lease.

(e) Management fees income

Revenue is recognised when services are rendered.

3.15 Borrowing costs

Borrowing costs are interests and other costs that the Group incurs in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group begins capitalising borrowing costs when the Group has incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3.16 Taxes

(a) Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(i) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

(ii) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.16 Taxes *cont'd*

(a) Income tax *cont'd*

(ii) Deferred tax *cont'd*

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches, associates and interests in joint ventures, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

(b) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST") except:

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.17 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Managing Director of the Group, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision maker that makes strategic decisions.

3.18 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS"). Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to owners of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.19 Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3.20 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following:

(a) Impairment of goodwill

The Group assesses at each reporting date whether there is any indication that goodwill may be impaired. For the purpose of assessing impairment, assets (including goodwill) are grouped at the lowest level where there are separately identifiable cash flows (cash-generating units). In determining the value-in-use of a cash-generating unit, management estimates the discounted cash flows using reasonable and supportable inputs about sales, costs of sales and other expenses based on past experience, current events and reasonably possible future developments. Cash flows that are projected based on those inputs or assumptions and the discount rate applied in the measurement of value-in-use may have a significant effect on the Group's financial position and results if the actual cash flows are less than the expected.

The carrying amount of the Group's goodwill and key assumptions used to determine the recoverable amount for different cash-generating units, including sensitivity analysis, are disclosed in Note 7.

(b) Impairment of trade and other receivables

The Group and the Company recognise impairment losses for trade and other receivables using the incurred loss model. At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that trade and other receivables is impaired. Individually significant trade and other receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. The actual eventual losses may be different from the impairment made and this may affect the Group's and the Company's financial position and results.

The carrying amounts of the Group's and the Company's trade and other receivables are disclosed in Note 11.

(c) Write-down of obsolete or slow-moving inventories

The Group writes down its obsolete or slow moving inventories based on the assessment of its estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write-down of obsolete or slow moving inventories. When expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

The carrying amounts of the Group's inventories are disclosed in Note 10.

5. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land	Leasehold buildings	Office equipment, furniture and fittings and computers	Motor vehicles	Plant and machineries	Warehouse equipment	Renovation	Capital-work in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Group									
2018									
Cost/Valuation									
At 1 July 2017									
At cost	23,755,542	16,543,249	5,193,413	7,550,350	3,360,890	1,940,874	2,618,233	3,220,216	64,182,767
At valuation	14,769,010	5,020,992	-	-	-	-	-	-	19,790,002
	38,524,552	21,564,241	5,193,413	7,550,350	3,360,890	1,940,874	2,618,233	3,220,216	83,972,769
Adjustment to purchase price allocation (Note 6(c))	(1,764,931)	848,845	-	-	-	-	-	-	(916,086)
Restated balance as at 1 July 2017	36,759,621	22,413,086	5,193,413	7,550,350	3,360,890	1,940,874	2,618,233	3,220,216	83,056,683
Additions	-	-	249,192	52,805	-	731,372	3,273,589	-	4,306,958
Disposals	-	-	(19,500)	(307,700)	-	(58,200)	-	-	(385,400)
Reclassification	-	-	-	-	-	-	3,220,216	(3,220,216)	-
Written off	-	-	(2,550)	(93,000)	-	-	-	-	(95,550)
Exchange differences	-	-	(8,386)	(11,323)	-	-	(926)	-	(20,635)
At 30 June 2018	36,759,621	22,413,086	5,412,169	7,191,132	3,360,890	2,614,046	9,111,112	-	86,862,056

NOTES TO THE FINANCIAL STATEMENTS
cont'd

5. PROPERTY, PLANT AND EQUIPMENT *cont'd*

	Leasehold land	Leasehold buildings	Office equipment, furniture and fittings and computers	Motor vehicles	Plant and machineries	Warehouse equipment	Renovation	Capital-work in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Group									
2018									
Accumulated depreciation									
At 1 July 2017	1,785,872	793,679	2,784,402	3,341,203	684,955	677,616	719,201	-	10,786,928
Charge for the financial year	820,079	467,445	450,480	1,275,122	382,303	285,492	795,030	-	4,475,951
Disposals	-	-	(2,276)	(143,084)	-	(42,773)	-	-	(188,133)
Written off	-	-	(2,097)	(38,655)	-	-	-	-	(40,752)
Exchange differences	-	-	(1,814)	(5,284)	-	-	(432)	-	(7,530)
At 30 June 2018	2,605,951	1,261,124	3,228,695	4,429,302	1,067,258	920,335	1,513,799	-	15,026,464
Carrying amount									
At cost	20,335,544	16,536,397	2,183,474	2,761,830	2,293,632	1,693,711	7,597,313	-	53,401,901
At valuation	13,818,126	4,615,565	-	-	-	-	-	-	18,433,691
At 30 June 2018	34,153,670	21,151,962	2,183,474	2,761,830	2,293,632	1,693,711	7,597,313	-	71,835,592

5. PROPERTY, PLANT AND EQUIPMENT *cont'd*

	Leasehold land RM	Leasehold buildings RM	Office equipment, furniture and fittings and computers RM	Motor vehicles RM	Plant and machineries RM	Warehouse equipment RM	Renovation RM	Capital-work in-progress RM	Total RM
Group									
2017									
Cost/Valuation									
At 1 July 2016									
At cost	19,440,611	12,442,094	3,565,264	5,783,666	3,087,234	1,324,079	1,860,152	323,213	47,826,313
At valuation	14,769,010	5,020,992	-	-	-	-	-	-	19,790,002
	34,209,621	17,463,086	3,565,264	5,783,666	3,087,234	1,324,079	1,860,152	323,213	67,616,315
Acquisition of subsidiaries (Note 6(c))	2,550,000	4,950,000	115,685	142,392	-	-	11,637	-	7,769,714
Additions	-	-	1,529,272	1,681,500	273,656	616,795	746,624	2,897,003	7,744,850
Disposals	-	-	(12,704)	(55,000)	-	-	-	-	(67,704)
Written off	-	-	(2,059)	-	-	-	-	-	(2,059)
Exchange differences	-	-	(2,045)	(2,208)	-	-	(180)	-	(4,433)
At 30 June 2017	36,759,621	22,413,086	5,193,413	7,550,350	3,360,890	1,940,874	2,618,233	3,220,216	83,056,683

NOTES TO THE FINANCIAL STATEMENTS
cont'd

5. **PROPERTY, PLANT AND EQUIPMENT** *cont'd*

	Leasehold land	Leasehold buildings	Office equipment, furniture and fittings and computers	Motor vehicles	Plant and machineries	Warehouse equipment	Renovation	Capital-work in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Group									
2017									
Accumulated depreciation									
At 1 July 2017	977,063	411,510	2,428,362	2,191,050	310,599	496,920	498,959	-	7,314,463
Charge for the financial year	808,809	382,169	370,676	1,205,275	374,356	180,696	220,253	-	3,542,234
Disposals	-	-	(12,704)	(54,999)	-	-	-	-	(67,703)
Written off	-	-	(1,853)	-	-	-	-	-	(1,853)
Exchange differences	-	-	(79)	(123)	-	-	(11)	-	(213)
At 30 June 2017	1,785,872	793,679	2,784,402	3,341,203	684,955	677,616	719,201	-	10,786,928
Carrying amount									
At cost	20,896,291	16,893,380	2,409,011	4,209,147	2,675,935	1,263,258	1,899,032	3,220,216	53,466,270
At valuation	14,077,458	4,726,027	-	-	-	-	-	-	18,803,485
At 30 June 2017	34,973,749	21,619,407	2,409,011	4,209,147	2,675,935	1,263,258	1,899,032	3,220,216	72,269,755

NOTES TO THE FINANCIAL STATEMENTS
cont'd

5. PROPERTY, PLANT AND EQUIPMENT *cont'd*

	Office equipment and computers RM
Company	
2018	
Cost	
At 1 July 2017	118,993
Additions	253
At 30 June 2018	119,246
Accumulated depreciation	
At 1 July 2017	24,277
Charge for the financial year	23,745
At 30 June 2018	48,022
Carrying amount	
At 30 June 2018	71,224
2017	
Cost	
At 1 July 2016	62,010
Additions	56,983
At 30 June 2017	118,993
Accumulated depreciation	
At 1 July 2016	6,201
Charge for the financial year	18,076
At 30 June 2017	24,277
Carrying amount	
At 30 June 2017	94,716

NOTES TO THE FINANCIAL STATEMENTS
cont'd

5. PROPERTY, PLANT AND EQUIPMENT *cont'd*

(a) During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM4,306,958 (2017: RM7,744,850) and RM253 (2017: RM56,983) respectively, which are satisfied by the following:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Financed by finance lease arrangements	835,212	2,480,433	-	-
Cash payments	3,471,746	5,264,417	253	56,983
	4,306,958	7,744,850	253	56,983

(b) The carrying amount of property, plant and equipment acquired under finance lease arrangements as at end of the financial year are as follows:

	Group	
	2018 RM	2017 RM
Office equipment, furniture and fittings and computers	727,434	831,991
Motor vehicles	2,383,124	3,706,661
Plant and machineries	1,606,663	1,909,194
Warehouse equipment	236,195	282,443
	4,953,416	6,730,289

(c) Certain leasehold land and buildings of the Group with a carrying amount of RM28,357,979 (2017: RM35,754,877) had been pledged to licensed banks to secure credit facilities granted to the subsidiaries as disclosed in Note 17(a) to the financial statements.

In the previous financial year, the pledge over the leasehold land and buildings of a subsidiary with a carrying amount of RM3,091,538 had been uplifted and discharged as disclosed in Note 17(a) to the financial statements.

(d) In the previous financial years, the leasehold land and buildings of the Group amounting to RM13,818,126 (2017: RM14,077,458) and RM4,615,565 (2017: RM4,726,027) respectively, were revalued by an accredited independent valuer. The valuation was based on the valuation techniques as follows:

Sales comparison approach

Sales prices of comparable leasehold land and buildings in close proximity were adjusted for differences in key attributes such as property size. The most significant input into this valuation approach was price per square metre of comparative properties.

Depreciated replacement cost approach

The buildings and structures were assessed by the estimated cost of reinstating similar new building and an allowable depreciation was made and deducted based on the observed condition of the buildings. The most significant input into this valuation approach was price per square metre of reinstatement cost.

(e) Fair value information

The fair value of the leasehold land and buildings is categorised as Level 2. There is no transfer between Level 1 and Level 2 fair values during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

6. INVESTMENT IN SUBSIDIARIES

	Company 2018 RM	Company 2017 RM
At cost		
Unquoted shares		
At beginning of the financial year	89,311,301	84,875,739
Add: Additions during the financial year		
- by cash payments	-	4,435,562
At end of the financial year	89,311,301	89,311,301

The details of the subsidiaries are as follows:

Name of Company	Country of incorporation	Principal activities	Ownership interest 2018	Ownership interest 2017
Kim Teck Cheong Sdn. Bhd. ("KTCSB")	Malaysia	Distribution of consumer packaged goods	100%	100%
Kim Teck Cheong Brands Sdn. Bhd. ("KTCBSB")	Malaysia	Brand owner and procurement	100%	100%
Kim Teck Cheong Distribution Sdn. Bhd. ("KTCDSB")	Malaysia	Distribution of consumer packaged goods	100%	100%
Kim Teck Cheong (Sarawak) Sdn. Bhd. ("KTCSSB")	Malaysia	Distribution of consumer packaged goods	80%	80%
Kim Teck Cheong (Tawau) Sdn. Bhd. ("KTCTSB")	Malaysia	Distribution of consumer packaged goods	100%	100%
Kim Teck Cheong (Borneo) Sdn. Bhd. ("KTCBOSB")	Malaysia	Distribution of consumer packaged goods	100%	100%
Creamos (Malaysia) Sdn. Bhd. ("Creamos")	Malaysia	Manufacture of bakery products	100%	100%
Popular Trading (Borneo) Corporation Sdn. Bhd. ("PTBSB")	Malaysia	Trading, general agents and distributors	100%	100%
Kim Teck Cheong TransPacific Sdn. Bhd. ("KTCTP")	Malaysia	Warehousing	100%	100%
Grandtop Marketing Sdn. Bhd. ("GMSB") *	Brunei	Distribution of consumer packaged goods	60%	60%

* *Audited by auditor other than Baker Tilly Monteiro Heng.*

NOTES TO THE FINANCIAL STATEMENTS

cont'd

6. INVESTMENT IN SUBSIDIARIES *cont'd*

(a) Acquisition of KTCTP

On 7 September 2016, the Company had entered into a share sale and purchase agreement to acquire entire equity interest in KTCTP, for a total cash consideration of RM2,535,482, which was funded via proceeds from the initial public offering. The acquisition of KTCTP was completed on 28 February 2017 and KTCTP became a wholly- owned subsidiary of the Company.

(b) Acquisition of GMSB

On 16 March 2016, the Company had entered into the following 2 conditional agreements:

(i) conditional share purchase agreement to acquire a total of 80,000 ordinary shares of B$1 each in GMSB for a total cash consideration of B$80,000 (equivalent to approximately RM238,464), and

(ii) conditional share subscription agreement to subscribe for 520,000 new ordinary shares of B$1 each in GMSB for a total cash consideration of B$520,000 (equivalent to approximately RM1,550,016).

The 2 conditional agreements enabled the Company to collectively hold 60% equity interest in GMSB. The said acquisition was completed on 28 February 2017 and GMSB became a 60% owned subsidiary of the Company.

(c) Fair value of the identifiable assets acquired and liabilities assumed recognised at the date of acquisition were as follows:

	Note	KTCTP RM	GMSB RM	As previously stated Total RM	Restated Total RM
2017					
Assets					
Property, plant and equipment	5	8,416,086	269,714	8,685,800	7,769,714
Inventories		-	4,731,711	4,731,711	4,731,711
Trade and other receivables		60,826	6,748,541	6,809,367	6,809,367
Cash and bank balances		-	303,334	303,334	303,334
Total assets		8,476,912	12,053,300	20,530,212	19,614,126
Liabilities					
Loans and borrowings		(3,705,589)	(308,754)	(4,014,343)	(4,014,343)
Trade and other payables		(1,752)	(6,936,705)	(6,938,457)	(6,938,457)
Deferred tax liabilities	9	(836,663)	-	(836,663)	(616,802)
Current tax liabilities		(29,951)	(297,688)	(327,639)	(327,639)
Total liabilities		(4,573,955)	(7,543,147)	(12,117,102)	(11,897,241)
Total identifiable net assets acquired		3,902,957	4,510,153	8,413,110	7,716,885
Gain on bargain purchase arising from acquisition of subsidiaries		(1,367,475)	(806,012)	(2,173,487)	(1,477,262)
Non-controlling interests		-	(1,804,061)	(1,804,061)	(1,804,061)
Fair value of consideration transferred		2,535,482	1,900,080	4,435,562	4,435,562

NOTES TO THE FINANCIAL STATEMENTS
cont'd

6. INVESTMENT IN SUBSIDIARIES *cont'd*

(c) Fair value of the identifiable assets acquired and liabilities assumed recognised at the date of acquisition were as follows: *cont'd*

The initial accounting for KTCTP and GMSB's business combination in the consolidated financial statements of the Company involves identifying and determining the fair values to be assigned to KTCTP and GMSB's identifiable assets, liabilities and contingent liabilities and the cost of the combination. As at 30 June 2017, the fair value of KTCTP and GMSB's identifiable assets, liabilities and contingent liabilities was determined provisionally pending the completion of purchase price allocation ("PPA") on KTCTP and GMSB's identifiable assets, liabilities and contingent liabilities. A provisional adjustment to bargain purchase amounting to RM696,225 has been recorded in the consolidated statement of financial position as at 30 June 2017.

During the financial year, a remeasurement of purchase price allocation is made within the measurement period. Accordingly, the fair value of assets and liabilities of KTCTP was adjusted accordingly on a retrospective basis arising from completion of PPA exercise.

The effects of the adjustment arising from completion of the PPA exercise are as follows:

	As previously reported RM	Adjustments to PPA RM	As restated RM
Consolidated statement of financial position			
2017			
Property, plant and equipment	73,185,841	(916,086)	72,269,755
Deferred tax liabilities	(6,360,829)	219,861	(6,140,968)
Retained earnings	(30,193,594)	696,225	(29,497,369)
Consolidated statement of comprehensive income			
2017			
Other income	3,912,534	(696,225)	3,216,309

(d) Effects of acquisition on cash flows:

	KTCTP RM	GMSB RM	Total RM
2017			
Fair value of consideration transferred	2,535,482	1,900,080	4,435,562
Add:			
Cash and cash equivalents of subsidiaries acquired	41,460	5,420	46,880
Net cash outflows on acquisition	2,576,942	1,905,500	4,482,442

NOTES TO THE FINANCIAL STATEMENTS
cont'd

6. INVESTMENT IN SUBSIDIARIES *cont'd*

(e) Effects of acquisition on the consolidated statement of comprehensive income

From the date of acquisition, the acquired subsidiaries' contributed revenue and profit net of tax as follows:

	KTCTP RM	GMSB RM	Total RM
2017			
Revenue	174,000	6,708,830	6,882,830
(Loss)/Profit for the financial year	(14,957)	1,482,220	1,467,263

If the acquisition had occurred on 1 July 2016, the consolidated results for the financial year ended 30 June 2017 would have been as follows:

	Group RM
2017	
Consolidated revenue	18,837,192
Consolidated profit for the financial year	2,612,376

(f) Non-controlling interests in subsidiaries

The financial information of the subsidiaries of the Group that have non-controlling interests ("NCI") are as follows:

Equity interest held by material non-controlling interests are as follows:

		Ownership interest	
Name of company	**Country of incorporation**	**2018 %**	**2017 %**
KTCSSB	Malaysia	20	20
GMSB	Malaysia	40	40

Carrying amount of material NCI:

Name of company	2018 RM	2017 RM
KTCSSB	815,690	742,526
GMSB	3,512,598	2,396,951
	4,328,288	3,139,477

NOTES TO THE FINANCIAL STATEMENTS
cont'd

6. INVESTMENT IN SUBSIDIARIES *cont'd*

(f) Non-controlling interests in subsidiaries *cont'd*

Profit/(Loss) allocated to material NCI:

Name of company	2018 RM	2017 RM
KTCSSB	73,165	(123,726)
GMSB	1,261,564	592,890
	1,334,729	469,164

Total comprehensive income/(loss) allocated to NCI:

Name of company	2018 RM	2017 RM
KTCSSB	73,165	(123,726)
GMSB	1,115,646	592,890
	1,188,811	469,164

(g) Summarised financial information of material NCI

The summarised financial information (before intra-group elimination) of the subsidiaries that have material NCI are as follows:

	KTCSSB RM	GMSB RM
Summarised statements of financial position		
As at 30 June 2018		
Non-current assets	652,441	506,947
Current assets	45,915,799	41,431,049
Non-current liabilities	(67,458)	-
Current liabilities	(42,422,331)	(33,238,062)
Net assets	4,078,451	8,699,934
Summarised statements of comprehensive income		
Financial year ended 30 June 2018		
Revenue	42,965,226	54,042,636
Profit for the financial year	365,823	3,153,861
Total comprehensive income	365,823	3,153,861
Summarised cash flow information		
Financial year ended 30 June 2018		
Net cash used in operating activities	(18,416,600)	(23,742,059)
Net cash used in investing activities	(1,728,117)	(376,512)
Net cash from financing activities	17,854,065	14,875,580
Net decrease in cash and cash equivalents	(2,290,652)	(9,242,991)
Dividends paid to non-controlling interests	-	-

NOTES TO THE FINANCIAL STATEMENTS
cont'd

6. INVESTMENT IN SUBSIDIARIES *cont'd*

(g) Summarised financial information of material NCI *cont'd*

The summarised financial information (before intra-group elimination) of the subsidiaries that have material NCI are as follows: *cont'd*

	KTCSSB RM	GMSB RM
Summarised statements of financial position		
As at 30 June 2017		
Non-current assets	648,536	270,394
Current assets	16,278,213	10,809,316
Non-current liabilities	(75,565)	-
Current liabilities	(13,138,556)	(5,168,842)
Net assets	3,712,628	5,910,868
Summarised statements of comprehensive income		
Financial year ended 30 June 2017		
Revenue	29,798,920	6,708,830
(Loss)/Profit for the financial year	(618,632)	1,482,220
Total comprehensive (loss)/income	(618,632)	1,482,220
Summarised cash flow information		
Financial year ended 30 June 2017		
Net cash used in operating activities	(4,099,087)	(411,396)
Net cash used in investing activities	(199,101)	(144,546)
Net cash from financing activities	3,359,256	1,621,204
Net (decrease)/increase in cash and cash equivalents	(938,932)	1,065,262
Dividends paid to non-controlling interests	-	-

7. GOODWILL ON CONSOLIDATION

	Group	
	2018 RM	2017 RM
Cost		
At beginning/end of the financial year	5,981,384	5,981,384

7. GOODWILL ON CONSOLIDATION *cont'd*

Impairment of goodwill

Goodwill arising from business combination has been allocated to the Group's CGUs identified according to the operating segments for impairment testing as follows:

	Group	
	2018	**2017**
	RM	**RM**
Distribution operation	5,981,384	5,981,384

For the purpose of impairment testing, goodwill is allocated to the operating divisions of the Group which represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

Key assumptions used in value-in-use calculations

Goodwill is tested for impairment on annual basis by comparing the carrying amount with the recoverable amount of the CGUs based on value-in-use. Value-in-use is determined by discounting the future cash flows based on financial budgets approved by directors covering three financial years and no growth rate is projected from the fourth financial year onwards. The key assumptions used for value-in-use calculations are:

	Group	
	2018	**2017**
Distribution operation		
Sales growth rate	10%	4% - 10%
Gross profit margin	10% - 14%	12% - 15%
Pre-tax discount rate	11.97% - 20.54%	12.12% -13.78%

Sales growth rate - The growth rate is based on directors' assessment on the impact of the aggressive marketing and sales activities to be carried out as well as the average growth rate for the similar companies.

Gross margin – Gross margin is based on directors' past experience.

Discount rate - Discount rate reflects the current market assessment of the risks.

Sensitivity to change in assumptions

With regard to the assessment of value-in-use calculation, the directors of the Company believe that no reasonably possible change in any of the above key assumptions would cause the carrying value to materially exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

8. INTANGIBLE ASSET

	Group	
	2018	**2017**
	RM	**RM**
Cost		
At beginning/end of the financial year	315,856	315,856
Accumulated amortisation		
At beginning of the financial year	(157,928)	(78,964)
Charge for the financial year	(78,964)	(78,964)
At end of the financial year	(236,892)	(157,928)
Carrying amount		
At end of the financial year	78,964	157,928

The intangible asset of the Group represents the identifiable asset arising from the purchase price allocation exercise performed by the Company in connection with the acquisition of KTCBOSB based on the KTCBOSB's future economic benefits arising from its distributorship as at the date of business combination.

9. DEFERRED TAX

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM (Restated)**	**RM**	**RM**
Deferred tax (liabilities)/ assets				
At beginning of the financial year	(6,013,833)	(5,389,270)	127,135	267,887
Recognised in profit or loss (Note 22)	830,243	(7,761)	(136,106)	(140,752)
Acquisition of subsidiaries (Note 6(c))	-	(616,802)	-	-
At end of the financial year	(5,183,590)	(6,013,833)	(8,971)	127,135

(a) Presented after appropriate off-setting as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM (Restated)**	**RM**	**RM**
Deferred tax assets	-	127,135	-	127,135
Deferred tax liabilities	(5,183,590)	(6,140,968)	(8,971)	-
	(5,183,590)	(6,013,833)	(8,971)	127,135

NOTES TO THE FINANCIAL STATEMENTS
cont'd

9. DEFERRED TAX *cont'd*

(b) The components of deferred tax assets/(liabilities) prior to offsetting are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM	RM (Restated)	RM	RM
Deferred tax assets				
Unabsorbed capital allowances	-	13,676	-	13,676
Unutilised tax losses	-	113,459	-	113,459
	-	127,135	-	127,135
Deferred tax liabilities				
Revaluation of property, plant and equipment	(4,636,535)	(4,183,458)	-	-
Differences between the carrying amounts of property, plant and equipment and their tax bases	(547,055)	(1,957,510)	(8,971)	-
	(5,183,590)	(6,140,968)	(8,971)	-
	(5,183,590)	(6,013,833)	(8,971)	127,135

(c) The estimated amount of temporary differences for which no deferred tax assets are recognised in the financial statements are as follows:

	Group	
	2018	2017
	RM	RM
Unutilised tax losses	503,140	37,592

10. INVENTORIES

	Group	
	2018	2017
	RM	RM
At cost		
Trading inventories	102,604,013	79,048,860
Raw materials	355,106	460,640
Packaging materials	161,717	134,992
	103,120,836	79,644,492

During the financial year, the cost of inventories recognised as an expense in cost of sales of the Company was RM405,206,012 (2017: RM375,871,859).

In addition, the inventories written off recognised as other expenses during the financial year amounted to RM2,660,694 (2017: RM2,347,591).

NOTES TO THE FINANCIAL STATEMENTS
cont'd

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Trade receivables				
External parties	104,044,504	84,705,291	-	-
Amounts due from subsidiaries	-	-	3,473,767	1,230,485
	104,044,504	84,705,291	3,473,767	1,230,485
Less: Allowance for impairment loss	(200,936)	(384,675)	-	-
	103,843,568	84,320,616	3,473,767	1,230,485
Other receivables				
Amounts due from subsidiaries	-	-	17,170,103	10,718,426
Other receivables	19,121,684	25,992,245	25,000	596,816
GST refundable	3,967,876	1,875,105	-	24,076
Deposits	1,029,283	1,168,843	2,000	2,000
Prepayments	1,128,106	1,549,506	37,400	58,654
	25,246,949	30,585,699	17,234,503	11,399,972
Less: Allowance for impairment loss	(21,672)	(21,672)	-	-
	25,225,277	30,564,027	17,234,503	11,399,972
Total trade and other receivables	129,068,845	114,884,643	20,708,270	12,630,457

(a) Trade receivables

The Group's and the Company's normal trade credit terms ranges from 30 to 90 (2017: 30 to 90) days from date of statement for the month invoice was issued. Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values at the initial recognition.

The Group and the Company maintain an ageing analysis in respect of trade receivables only. The ageing analysis of the Group's and the Company's trade receivables are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Neither past due nor impaired	65,530,397	75,516,875	1,050,497	826,596
Past due but not impaired				
1 to 30 days past due not impaired	17,537,690	3,871,111	-	-
31 to 60 days past due not impaired	11,291,596	651,339	539,503	218,859
61 to 90 days past due not impaired	5,076,188	874,621	590,011	70,635
More than 90 days past due not impaired	4,407,697	3,406,670	1,293,756	114,395
	38,313,171	8,803,741	2,423,270	403,889
Impaired	200,936	384,675	-	-
	104,044,504	84,705,291	3,473,767	1,230,485

11. TRADE AND OTHER RECEIVABLES *cont'd*

(a) Trade receivables *cont'd*

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables is as follows:

		Group	
		2018	**2017**
	Note	**RM**	**RM**
At beginning of the financial year		384,675	49,091
Charge for the financial year			
- Individual impairment loss	20	43,566	384,675
Reversal of impairment loss	20	(157,555)	-
Written off		(69,750)	(49,091)
At end of the financial year		200,936	384,675

Trade receivables that are individually determined to be impaired at the reporting date relate to receivables that are in significant financial difficulties and have defaulted on payments.

During the financial year, trade receivables amounting to RM149,785 (2017: RM1,788) were written off as other expenses.

(b) Non-trade amounts due from subsidiaries

The non-trade amounts due from subsidiaries are unsecured, expected to be settled in cash within the next twelve months and bear interest at rates ranging from 4.51% to 4.8% (2017: Nil) per annum.

(c) Other receivables

Included in other receivables are amounts of RM14,151,237 (2017: RM19,835,319), being incentives and claims receivable from trade suppliers in relation to trade-related activities.

During the financial year, other receivables amounting to RM8,858,390 (2017: Nil) were written off as other expenses.

(d) Prepayments

During the financial year, prepayments amounting to RM384,154 (2017: Nil) were written off as other expenses.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

12. CASH AND BANK BALANCES

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Cash and bank balances as reported in the statements of financial position	6,791,981	2,776,931	1,439,373	163,813
Less: Bank overdrafts (Note 17)	(40,035,609)	(26,661,483)	-	-
Cash and cash equivalents as reported in the statements of cash flows	(33,243,628)	(23,884,552)	1,439,373	163,813

13. SHARE CAPITAL

	Group/Company			
	Number of shares		Amount	
	2018	2017	2018	2017
	Unit	Unit	RM	RM
Issued and fully paid:				
Ordinary shares				
At beginning of the financial year	510,277,000	510,277,000	75,358,515	51,027,700
Adjustment for effect of CA 2016	-	-	-	24,330,815
At end of the financial year	510,277,000	510,277,000	75,358,515	75,358,515
Redeemable preference shares				
At beginning/end of the financial year	24,001,858	24,001,858	24,001,858	24,001,858
	534,278,858	534,278,858	99,360,373	99,360,373

Effective from 31 January 2017, the Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balance of the share premium of RM24,330,815 becomes part of the Company's share capital pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months upon the commencement of the Act, use this amount for purposes as set out in Section 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue of the relative entitlement of any of the members as a result of this transition.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

13. SHARE CAPITAL *cont'd*

The salient terms of the redeemable convertible preference share ("RCPS") are as follows:

(i) the RCPS has a par value of RM1.00 each and bears zero dividend rate;
(ii) the RCPS has maturity period of five (5) years from the date of issuance;
(iii) the registered holder will have the right to convert the RCPS at the conversion price of RM0.15 into new shares at anytime from the issue date until the maturity date. Notwithstanding the above, the registered holder shall not be allowed to exercise its conversion rights during the conversion period if the public shareholding spread shall fall below twenty-five percent (25%) of the total shares or such other percentage as may be imposed by the Listing Requirements from time to time as a result of such conversion;
(iv) each RCPS shall be, at the sole option of the Company, be redeemed by payment by the Company in cash to the holder thereof, on any date during the tenure of the RCPS and before the maturity date, an amount equivalent to the issue price of each RCPS held. Any RCPS not converted or redeemed shall, on maturity date, be automatically lapse; and
(v) the RCPS holders shall carry no right to vote at any general meeting of the Company except with regard to:

- Any proposal to wind up the Company;
- During the winding-up of the Company;
- On any proposal that affects the rights of the RCPS holders;
- On a proposal to reduce the Company's share capital; or
- On a proposal for the disposal of the whole property, business and undertaking of the Company.

In any such case, the RCPS holder shall be entitled to vote for each RCPS held.

Where there is any proposal submitted to the general meeting which directly affects the rights attached to the RCPS, RCPS holders shall have the right to attend such general meeting and shall be entitled to vote either in person or by proxy only for such purpose.

14. SHARE PREMIUM

	Group/Company	
	2018	2017
	RM	RM
At beginning of the financial year	-	24,330,815
Adjustment for effect of CA 2016	-	(24,330,815)
At end of the financial year	-	-

15. OTHER RESERVE

(a) Revaluation reserve

The revaluation reserve relates to the revaluation of leasehold land and buildings.

(b) Foreign exchange reserve

The foreign exchange reserve is used to record exchange differences arising from the translation of the financial statement of a foreign operation whose functional currency is different from that of the Group's presentation currency.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

16. REORGANISATION DEFICIT

	Group	
	2018	2017
	RM	RM
Reorganisation deficit		
At the beginning/end of the financial year	(47,962,248)	(47,962,248)

(a) In previous financial year, the Company has accounted for the acquisition of KTCSB as a continuation of the acquired entity. Therefore, the share capital of KTCSB is reflected as reorganisation deficit as at 1 July 2014 and 30 June 2015.

(b) In previous financial year, the Company completed its Pre-IPO Reorganisation on 1 July 2015. Consequently, capital reorganisation deficit represents the difference between the purchase consideration to acquire KTCSB and the share capital of KTCSB as at 30 June 2017.

17. LOANS AND BORROWINGS

	Group	
	2018	2017
	RM	RM
Non-current		
Secured:		
Term loans - floating rate	17,389,247	15,234,946
Finance lease liabilities (Note 17(h))	3,029,539	4,309,540
	20,418,786	19,544,486
Current		
Secured:		
Term loans - floating rate	1,188,497	1,004,957
Term loan - fixed rate	-	243,199
Finance lease liabilities (Note 17(h))	1,621,383	1,832,755
Unsecured:		
Bankers' acceptances	93,310,243	83,663,437
Bank overdrafts (Note 12)	40,035,609	26,661,483
Trust receipts	16,954,638	2,184,953
Revolving credit	18,000,000	18,000,000
	171,110,370	133,590,784
Total loans and borrowings		
Bankers' acceptances	93,310,243	83,663,437
Bank overdrafts (Note 12)	40,035,609	26,661,483
Term loans - floating rate	18,577,744	16,239,903
Term loan - fixed rate	-	243,199
Trust receipts	16,954,638	2,184,953
Finance lease liabilities (Note 17(h))	4,650,922	6,142,295
Revolving credit	18,000,000	18,000,000
	191,529,156	153,135,270

17. LOANS AND BORROWINGS *cont'd*

(a) The loans and borrowings are secured by the following:

(i) Facilities agreement together with interest thereon and all monies due and payable;
(ii) Legal charge over certain leasehold land and buildings of the Group as disclosed in Note 5;
(iii) Joint and several guarantees by certain directors of the Company;
(iv) Corporate guarantees by the Company;
(v) Letter of undertaking from certain directors of the Company; and
(vi) Negative pledge.

In the previous financial year, the third party legal charge over landed properties held by a subsidiary with a carrying amount of RM3,091,538 had been uplifted and discharged as disclosed in Note 5.

(b) The floating rate term loans of the Group bear interest at rates ranging from 4.35% to 6.60% (2017: 4.50% to 7.35%) per annum and is repayable on terms ranging from 36 to 240 (2017: 36 to 240) equal monthly instalments.

(c) The fixed rate term loan of the Group bears interest at a rate of 5.30% per annum and is repayable in 209 fortnightly instalments. This fixed rate term loan had been fully settled during the financial year.

(d) The bankers' acceptances bear interest at rates ranging from 3.88% to 7.03% (2017: 3.02% to 6.73%) per annum.

(e) The bank overdrafts bear interest at rates ranging from 7.21% to 8.54% (2017: 5.75% to 8.45%) per annum.

(f) The revolving credits bear interest at rate of 4.80% (2017: 4.51%) per annum.

(g) The trust receipts bear interest at rate of 6.0% (2017: 6.0%) per annum.

(h) Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group	
	2018	**2017**
	RM	**RM**
Minimum lease payments		
Not later than 1 year	1,857,581	2,165,255
Later than 1 year and not later than 5 years	3,287,954	4,590,025
Later than 5 years	-	164,687
	5,145,535	6,919,967
Less: Future finance charges	(494,613)	(777,672)
Present value of minimum lease payments	4,650,922	6,142,295

NOTES TO THE FINANCIAL STATEMENTS
cont'd

17. LOANS AND BORROWINGS *cont'd*

(h) Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows: *cont'd*

	Group	
	2018	**2017**
	RM	**RM**
Present value of minimum lease payments		
Not later than 1 year	1,621,383	1,832,755
Later than 1 year and not later than 5 years	3,029,539	4,178,738
Later than 5 years	-	130,802
	4,650,922	6,142,295
Less: Amount due within 12 months	(1,621,383)	(1,832,755)
Amount due after 12 months	3,029,539	4,309,540

The finance lease liabilities bear interest at rates ranging from 3.00% to 6.45% (2017: 2.85% to 6.45%) per annum.

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Trade payables				
Third parties	23,804,683	17,319,160	-	-
Other payables				
Other payables	7,333,047	5,579,992	160,511	901,402
Accruals	1,370,005	429,775	47,000	32,309
GST payable	223,401	120,354	31,910	72,162
Deposits	2,095,822	2,155,163	-	-
Amounts due to directors	34,534	22,834	-	-
Amounts due to subsidiaries	-	-	18,069,026	7,138,999
	11,056,809	8,308,118	18,308,447	8,144,872
Total trade and other payables	34,861,492	25,627,278	18,308,447	8,144,872

(a) Trade payables are non-interest bearing and the normal credit terms granted to the Group ranging from 30 to 90 (2017: 30 to 90) days.

(b) The non-trade amounts due to subsidiaries were unsecured, interest-free and expected to be settled in cash within the next twelve months.

(c) Included in the deposits of the Group are trade security deposits from customers amounting to RM1,984,622 (2017:RM2,036,463).

(d) During the financial year, trade and other payables amounting to RM711,898 and RM717,028 respectively were waived to other income.

19. REVENUE

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Sales of goods	459,221,016	428,565,859	-	-
Management fees	-	-	4,548,666	4,386,423
	459,221,016	428,565,859	4,548,666	4,386,423

20. (LOSS)/PROFIT BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credit) in arriving at (loss)/profit before tax:

	Note	Group 2018 RM	Group 2017 RM (Restated)	Company 2018 RM	Company 2017 RM
Amortisation of intangible asset	8	78,964	78,964	-	-
Auditors' remuneration					
- Malaysian operations					
- statutory audit					
- current year		155,000	141,000	30,000	25,000
- under/(over) provision in prior financial year		-	1,000	-	(10,000)
- non-statutory audit					
- current year		17,000	69,000	17,000	69,000
- Overseas operation					
- statutory audit					
- current year		11,256	14,455	-	-
Bad debts written off	11	149,785	1,788	-	-
Depreciation of property, plant and equipment	5	4,475,951	3,542,234	23,745	18,076
Employee benefits expense	21	15,592,558	20,390,511	3,904,898	3,687,576
Gain on bargain purchase arising from acquisition of subsidiaries		-	(1,477,262)	-	-
Gain on disposal of property, plant and equipment		(60,732)	(7,499)	-	-
Impairment loss on:					
- trade receivables		43,566	384,675	-	-
- other receivables		-	21,672	-	-
Interest expense:					
- bank overdrafts		2,805,601	1,142,549	-	-
- bankers' acceptances		2,839,365	4,403,715	-	-
- finance lease liabilities		378,408	310,832	-	-
- revolving credit		814,480	765,339	-	-
- term loans		811,128	546,323	-	-
- trust receipts		236,670	62,641	-	-
Interest income		(238,534)	(228,034)	(185,090)	(21,935)
Inventories written off	11	2,660,694	2,347,591	-	-

NOTES TO THE FINANCIAL STATEMENTS
cont'd

20. (LOSS)/PROFIT BEFORE TAX *cont'd*

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credit) in arriving at (loss)/profit before tax: *cont'd*

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM (Restated)	RM	RM
Other receivables written off	11	8,858,390	-	-	-
Prepayments written off		384,154	-	-	-
Property, plant and equipment written off		54,798	206	-	-
Realised loss/(gain) on foreign exchange		399,918	(536,632)	-	-
Rental expense on:					
- warehouses and offices		1,533,360	2,743,375	-	-
- office equipment		86,594	255,742	9,840	19,730
Rental income on:					
- motor vehicles		(502,235)	(515,318)	-	-
- warehouses and offices		(94,134)	(385,100)	-	-
Reversal of impairment loss on trade receivables		(157,555)	-	-	-
Waiver of payables	18	(1,428,926)	-	-	-

21. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Salaries, wages, bonuses, allowances and incentives	13,611,754	18,142,834	3,599,637	3,408,833
Defined contribution plan	1,753,655	1,987,685	291,889	265,731
Social security contribution	227,149	259,992	13,372	13,012
	15,592,558	20,390,511	3,904,898	3,687,576

21. EMPLOYEE BENEFITS EXPENSE *cont'd*

Included in employee benefits expense are:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Directors of the Company				
Executive:				
Fees	150,120	212,120	150,120	150,120
Other emoluments	1,652,087	1,709,469	1,652,087	1,643,601
	1,802,207	1,921,589	1,802,207	1,793,721
Non-executive:				
Fees	250,200	250,200	250,200	250,200
Other emoluments	15,000	19,795	15,000	19,795
	265,200	269,995	265,200	269,995
	2,067,407	2,191,584	2,067,407	2,063,716

22. TAX EXPENSE

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Statements of comprehensive income				
Current income tax:				
Based on results of the current financial year	2,233,292	1,208,600	76,672	-
Under provision in prior financial years	94,977	188,021	5,264	-
	2,328,269	1,396,621	81,936	-
Deferred tax (Note 9):				
(Reversal)/Origination of temporary differences	(970,551)	(261,290)	21,012	(55,151)
Under provision in prior financial years	140,308	269,051	115,094	195,903
	(830,243)	7,761	136,106	140,752
Tax expense recognised in profit or loss	1,498,026	1,404,382	218,042	140,752

Domestic tax is calculated at the Malaysian statutory income tax rate of 24% (2017: 24%) of the estimated assessable (loss)/profit for the financial year.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

22. TAX EXPENSE *cont'd*

The reconciliations from the tax amount at statutory income tax rate to the Group's and the Company's tax expense are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM	RM (Restated)	RM	RM
(Loss)/Profit before tax	(5,295,029)	2,292,356	(856,557)	(1,658,458)
Tax at Malaysian statutory income tax rate of 24% (2017:24%)	(1,270,807)	550,165	(205,574)	(398,030)
Effect of different tax rate in other country	(53,603)	(75,159)	-	-
Tax effects arising from:				
- non-deductible expenses	2,577,659	597,174	303,258	342,879
- non-taxable income	(102,240)	(133,892)	-	-
Deferred tax assets not recognised during the financial year	111,732	9,022	-	-
Under provision in prior financial years				
- income tax	94,977	188,021	5,264	-
- deferred tax	140,308	269,051	115,094	195,903
Tax expense	1,498,026	1,404,382	218,042	140,752

23. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share are based on (loss)/profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the financial year, calculated as follows:

	Group	
	2018	2017
	RM	RM (Restated)
Basic (loss)/earnings per share		
(Loss)/Profit attributable to the owners of the Company:	(8,127,784)	418,810
Weighted average number of ordinary shares for basic earnings per share	510,277,000	510,277,000
Basic (loss)/earnings per share (sen)	(1.59)	0.08

23. (LOSS)/EARNINGS PER SHARE *cont'd*

(b) The diluted (loss)/earnings per share are based on the (loss)/profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares, calculated as follows:

	Group	
	2018	**2017**
	RM	**RM (Restated)**
Diluted earnings per share		
(Loss)/Profit attributable to the owners of the Company:	(8,127,784)	418,810
Weighted average number of ordinary shares for basic earnings per share		
Effect of dilution from:	510,277,000	510,277,000
- redeemable convertible preference shares	160,012,387	160,012,387
	670,289,387	670,289,387
Diluted (loss)/earnings per share (sen)	(1.21)	0.06

24. CAPITAL AND OTHER COMMITMENTS

(a) Capital commitments

The Group has made commitments for the following capital expenditures:

	Group	
	2018	**2017**
	RM	**RM**
In respect of capital expenditure approved and contracted for:		
- property, plant and equipment	1,293,000	4,049,994

(b) Operating lease commitments

The Group as lessee

The Group leases a number of warehouses under operating lease for lease term between 2 to 10 years.

Future minimum rental payable under the non-cancellable operating lease at the reporting date is as follows:

	Group	
	2018	**2017**
	RM	**RM**
Not later than one year	1,724,388	1,578,583
More than one year and not later than five years	3,750,046	3,616,063
More than five years	780,000	1,308,000
	6,254,434	6,502,646

NOTES TO THE FINANCIAL STATEMENTS
cont'd

24. CAPITAL AND OTHER COMMITMENTS *cont'd*

(b) Operating lease commitments *cont'd*

The Group as lessor

The Group has entered into non-cancellable lease arrangements by leasing its warehouses for lease term between 2 to 3 years.

Future minimum lease receivables as at the end of the reporting date is as follows:

	Group	
	2018	**2017**
	RM	**RM**
Not later than one year	44,100	46,800
More than one year and not later than five years	6,800	50,900
	50,900	97,700

25. RELATED PARTIES

(a) Identity of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

(i) Holding companies;
(ii) Subsidiaries;
(iii) Key management personnel of the Group's and the Company's holding company, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Company	
	2018	**2017**
	RM	**RM**
Transactions with subsidiaries are as follows:		
- Management fee received/receivable	(4,548,666)	(4,386,423)
- Interest income received/receivable	(199,578)	-
- Interest expense paid/payable	67,105	-

25. RELATED PARTIES *cont'd*

(c) Compensation of key management personnel

Key management personnel include personnel having authority and responsibility for planning, directing and controlling the activities of the entities, directly or indirectly, including any director of the Group and of the Company.

The remuneration of the key management personnel is as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Salaries, fees and incentives	2,045,077	2,946,476	2,045,077	2,819,570
Defined contribution plan	93,600	182,558	93,600	181,992
Social security contribution	2,487	6,552	2,487	6,156
	2,141,164	3,135,586	2,141,164	3,007,718

26. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

(i) Loan and receivables
(ii) Other financial liabilities

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Financial assets				
Loans and receivables				
Trade and other receivables, excluding prepayments and GST refundable	123,972,863	111,460,032	20,670,870	12,547,727
Cash and bank balances	6,791,981	2,776,931	1,439,373	163,813
	130,764,844	114,236,963	22,110,243	12,711,540
Financial liabilities				
Other financial liabilities				
Trade and other payables, excluding GST payable	34,638,091	25,506,924	18,276,537	8,072,710
Loans and borrowings	191,529,156	153,135,270	-	-
	226,167,247	178,642,194	18,276,537	8,072,710

NOTES TO THE FINANCIAL STATEMENTS
cont'd

26. FINANCIAL INSTRUMENTS *cont'd*

(b) Fair value measurement

The carrying amounts of cash and bank balances, short-term receivables, payables and borrowings are reasonable approximation of their fair values due to the relatively short-term nature of these financial instruments.

The carrying amounts of long-term floating rate term loan is reasonable approximation of fair values as the loans will be re-priced to market interest rate on or near reporting date.

There have been no transfers between the levels during the current and previous financial years.

The following table provides the fair value measurement hierarchy of the Group's financial instruments:

		Fair value of financial instruments not carried at fair value			
Group	Carrying amount RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2018					
Financial liabilities					
Other financial liabilities					
- finance lease liabilities	4,650,922	-	4,557,333	-	4,557,333
2017					
Financial liabilities					
Other financial liabilities					
- finance lease liabilities	6,142,295	-	5,644,624	-	5,644,624
- term loans					
- fixed rate	243,199	-	248,486	-	248,486
	6,385,494	-	5,893,110	-	5,893,110

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risk, liquidity risk and credit risk.

The Board of Directors reviews and agrees to procedures and policies for management of these risks and they are summarised below.

(a) Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from its loans and borrowings. Most of the Group's loans and borrowings are charged a fixed interest rate plus or minus the financial institutions' base lending rate or cost of fund per annum. The fixed interest rate is reviewed annually. Whilst, the base lending rate and cost of fund used by the financial institutions vary according to the rates set by the respective financial institutions. Meanwhile, interest rates charged on hire purchase are fixed at the inception of the hire purchase arrangements.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(a) Interest rate risk *cont'd*

Sensitivity analysis

As at the reporting date, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group's (loss)/profit net of tax would have been RM710,137 (2017: RM557,649) lower/higher respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the current observable market environment.

(b) Liquidity risk

The Group and the Company manage their debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group and the Company maintain sufficient levels of cash to meet their working capital requirements. In addition, the Group and the Company strive to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group and the Company are committed funding from both capital markets and financial institutions and balances its portfolio with some short-term funding so as to achieve overall cost effectiveness.

Maturity analysis

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date based on contractual undiscounted repayment obligations are as follows:

		Contractual undiscounted cash flows			
	Carrying amount	On demand within 1 Year	Between 1 and 5 years	More than 5 years	Total
Group	**RM**	**RM**	**RM**	**RM**	**RM**
2018					
Financial liabilities:					
Trade and other payables	34,638,091	34,638,091	-	-	34,638,091
Loans and borrowings	191,529,156	170,386,591	12,646,999	12,598,532	195,632,122
	226,167,247	205,024,682	12,646,999	12,598,532	230,270,213
2017					
Financial liabilities:					
Trade and other payables	25,506,924	25,506,924	-	-	25,506,924
Loans and borrowings	153,135,270	139,799,388	10,187,244	13,707,160	163,693,792
	178,642,194	165,306,312	10,187,244	13,707,160	189,200,716

NOTES TO THE FINANCIAL STATEMENTS
cont'd

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(b) Liquidity risk *cont'd*

Maturity analysis *cont'd*

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date based on contractual undiscounted repayment obligations are as follows: *cont'd*

	◄---- Contractual undiscounted cash flows ----►		
	Carrying amount	**On demand within 1 year**	**Total**
Company	**RM**	**RM**	**RM**
2018			
Financial liabilities:			
Trade and other payables	18,276,537	18,276,537	18,276,537
Financial guarantees	-	191,529,156	191,529,156
	18,276,537	209,805,693	209,805,693
2017			
Financial liabilities:			
Trade and other payables	8,072,710	8,072,710	8,072,710
Financial guarantees	-	153,135,270	153,135,270
	8,072,710	161,207,980	161,207,980

(c) Credit risk

The Group's and the Company's credit risk is primarily attributable to trade receivables. The Group and the Company trade only with recognised and creditworthy third parties. It is the Group's and the Company's policies that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis and the Group's and the Company's exposure to bad debts is not significant.

The credit risk of the Group's and of the Company's other financial assets, which comprise cash and cash equivalents arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Company is also exposed to credit risk arising from corporate guarantees provided in respect of banking facilities granted to the subsidiaries.

The Group and the Company do not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

The Group and the Company have no significant concentration of credit risk arising from exposure to a single or group of debtors as the current reporting date.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(c) Credit risk *cont'd*

Financial guarantees

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to subsidiaries.

The Company monitors on an on-going basis the repayments made by the subsidiaries and their financial performance.

The maximum exposure to credit risk amounted to RM191,529,156 (2017: RM153,135,270), representing the outstanding credit facilities of the subsidiaries guaranteed by the Company at the reporting date. At the reporting date, there was no indication that the subsidiaries would default on their repayments.

The financial guarantee has not been recognised as the fair value on initial recognition was immaterial since the financial guarantees provided by the Company did not contribute towards credit enhancement of the subsidiaries' borrowings in view of the security pledged by the subsidiaries and it is unlikely that the subsidiaries will default within the guarantee provided.

(d) Foreign currency risk

The Group is exposed to currency translation risk arising from its net investment in a subsidiary in Brunei.

The Group does not hedge its investment in Brunei.

28. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services, and has three reportable operating segments as follows:

Distribution	Distribution of third party and own brands of consumer packaged goods
Manufacturing	Manufacturing of bakery products
Others	Investment holding

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated statement of comprehensive income. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Segment profit

Segment performance is used to measure performance as the Managing Director believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements.

Segment assets

The total of segment asset is measured based on all of a segment, as included in the internal reports that are reviewed by the Managing Director.

Segment liabilities

The total of segment liabilities is measured based on all of a segment, as included in the internal reports that are reviewed by the Managing Director.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

28. SEGMENT INFORMATION *cont'd*

	Note	Distribution	Manufacturing	Others	Adjustments and Elimination	Total
		RM	RM	RM	RM	RM
2018						
Revenue						
Revenue from external customers		453,790,173	5,430,843	-	-	459,221,016
Inter-segment revenue	a	7,137,756	-	4,548,666	(11,686,422)	-
Total revenue		460,927,929	5,430,843	4,548,666	(11,686,422)	459,221,016
Results						
Amortisation of intangible asset		78,964	-	-	-	78,964
Interest income		(234,989)	(3,545)	-	-	(238,534)
Interest expense		7,645,774	575,561	166,230	(501,913)	7,885,652
Depreciation of property, plant and equipment		3,199,541	800,790	-	475,620	4,475,951
Rental expense on:						
- warehouses and offices		2,278,050	-	-	(744,690)	1,533,360
- office equipment		86,594	-	-	-	86,594
Other non-cash expenses	b	10,049,383	454,791	-	-	10,504,174
Segment loss after tax	c	(5,812,216)	(418,952)	(26,255)	(535,632)	(6,793,055)
Assets:						
Additions to non-current assets (excluding financial assets and deferred tax assets)	d	4,305,699	1,259	-	-	4,306,958
Segment assets	e	471,664,578	14,039,862	4,841,423	(172,040,450)	318,505,413
Liabilities:						
Segment liabilities	f	304,830,770	13,164,360	3,629,115	(89,227,091)	232,397,154

NOTES TO THE FINANCIAL STATEMENTS
cont'd

28. SEGMENT INFORMATION *cont'd*

	Note	Distribution RM	Manufacturing RM	Others RM	Adjustments and Elimination RM	Total RM (Restated)
2017						
Revenue						
Revenue from external customers		422,480,343	6,027,516	58,000	-	428,565,859
Inter-segment revenue	a	26,117,606	-	4,502,423	(30,620,029)	-
Total revenue		448,597,949	6,027,516	4,560,423	(30,620,029)	428,565,859
Results						
Amortisation of intangible asset		78,964	-	-	-	78,964
Interest income		(201,062)	(5,037)	(21,935)	-	(228,034)
Interest expense		6,774,254	374,210	82,935	-	7,231,399
Depreciation of property, plant and equipment		2,249,978	778,390	18,076	495,790	3,542,234
Gain on bargain purchase arising from acquisition of subsidiaries		(806,012)	-	(671,250)	-	(1,477,262)
Rental expense on:						
- warehouses and offices		3,149,775	-	-	(406,400)	2,743,375
- office equipment		233,446	2,566	19,730	-	255,742
Other non-cash expenses	b	2,551,231	197,202	-	-	2,748,433
Segment profit/(loss) after tax	c	3,146,219	(119,986)	(3,776,120)	1,637,861	887,974
Assets:						
Additions to non-current assets (excluding financial assets and deferred tax assets)	d	7,137,432	820,149	7,556,983	-	15,514,564
Segment assets	e	296,318,434	15,956,487	106,402,670	(140,050,006)	278,627,585
Liabilities:						
Segment liabilities	f	217,529,325	14,662,033	11,638,622	(58,468,504)	185,361,476

NOTES TO THE FINANCIAL STATEMENTS
cont'd

28. SEGMENT INFORMATION *cont'd*

(a) Inter-segment revenue are eliminated on consolidation.

(b) Other material non-cash expenses/(income) consist of the following items as presented in the respective notes:

	2018 RM	2017 RM
Inventories written off	2,660,694	2,347,591
Bad debts written off	149,785	1,788
Gain on disposal of property, plant and equipment	(60,732)	(7,499)
Impairment loss on:		
- trade receivables	43,566	384,675
- other receivables	-	21,672
Other receivables written off	8,858,390	-
Property, plant and equipment written off	54,798	206
Prepayments written off	384,154	-
Reversal of impairment loss on trade receivables	(157,555)	-
Waiver of payables	(1,428,926)	-
	10,504,174	2,748,433

(c) The following items are added to/(deducted from) segment (loss)/profit to arrive at (loss)/profit before tax presented in the consolidated statement of comprehensive income:

	2018 RM	2017 RM
Profit from inter-segment sales	(2,770,276)	(4,502,423)
Unallocated corporate expenses	5,240,685	8,124,752
Other income	(3,024,993)	(2,003,420)
Tax expense	18,952	18,952
	(535,632)	1,637,861

(d) Additions to non-current assets (excluding financial assets and deferred tax assets) consist of:

	2018 RM	2017 RM
Property, plant and equipment	4,306,958	15,514,564

(e) The following items are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2018 RM	2017 RM
Inter-segment assets	(172,040,450)	(140,050,006)

28. SEGMENT INFORMATION *cont'd*

(f) The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2018 RM	2017 RM
Inter-segment liabilities	(89,227,091)	(58,468,504)

Geographical Information

(i) The following table provides an analysis of the Group revenue by geographical segment:

	2018 RM	2017 RM
Revenue from sales to external customers by location of the customers		
Sabah	287,829,041	305,635,954
Sarawak	117,349,339	99,390,523
Labuan and others	54,042,636	23,539,382
	459,221,016	428,565,859

(ii) The following is the analysis of non-current assets, other than financial instruments and deferred tax assets, which is analysed by the Group's geographical location:

	Sabah RM	Sarawak RM	Brunei RM	Total RM
2018				
Property, plant and equipment	68,711,202	2,617,443	506,947	71,835,592
Goodwill on consolidation	4,164,013	1,817,371	-	5,981,384
Other intangible asset	78,964	-	-	78,964
	72,954,179	4,434,814	506,947	77,895,940
2017				
Property, plant and equipment	60,750,048	11,249,313	270,394	72,269,755
Goodwill on consolidation	4,164,013	1,817,371	-	5,981,384
Other intangible asset	157,928	-	-	157,928
	65,071,989	13,066,684	270,394	78,409,067

Major customers

There is a major customer with revenue equal or more than ten percent (10%) of the revenue of the Group during the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

29. CAPITAL MANAGEMENT

The primary objective of the Group's and of the Company's capital management is to build and maintain a strong capital base so as to maintain healthy capital ratios and at the same time be able to leverage on the capital to provide the Group and the Company with the funds to fund their expansion and growth.

The Group and the Company manage their capital structure, and make adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares, raise new debts and reduce existing debts.

The Group and the Company monitor capital using a gearing ratio. The gearing ratio is calculated as total debts divided by total equity.

The gearing ratio is as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM (Restated)**	**RM**	**RM**
Loans and borrowings	191,529,156	153,135,270	-	-
Trade and other payables	34,861,492	25,627,278	18,308,447	8,144,872
Less:				
Cash and bank balances	(6,791,981)	(2,776,931)	(1,439,373)	(163,813)
Total debts	219,598,667	175,985,617	16,869,074	7,981,059
Total equity	86,108,259	93,266,109	93,147,111	94,221,710
Gearing ratio	255%	189%	18%	8%

The Company is not subject to any externally imposed capital requirements.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, **DATUK LAU KOH SING @ LAU KOK SING** and **LAU WEI DICK @ DEXTER DICK LAU**, being two of the directors of Kim Teck Cheong Consolidated Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 45 to 112 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of directors:

DATUK LAU KOH SING @ LAU KOK SING
Director

LAU WEI DICK @ DEXTER DICK LAU
Director

Kota Kinabalu

Date: 29 October 2018

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, **PAMELA PHUI HEE YUNG**, being the officer primarily responsible for the financial management of Kim Teck Cheong Consolidated Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 45 to 112 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act,1960.

PAMELA PHUI HEE YUNG
MIA No. 22935

Subscribed and solemnly declared by the abovenamed at Kota Kinabalu in Sabah on 29 October 2018.

Before me,

Commissioner of Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KIM TECK CHEONG CONSOLIDATED BERHAD
(Incorporate in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Kim Teck Cheong Consolidated Berhad, which comprise the statements of financial position as at 30 June 2018 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 45 to 112.

In our opinion, the accompanying financial statements give a true and fair view of the financial positions of the Group and of the Company as at 30 June 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By- Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Group

Goodwill (Note 7 to the financial statements)

The Group has significant balances of goodwill. There is a risk the future performance of the assets may not lead to their carrying values being recoverable in full. Significant judgements arise over the discount rates applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections, including future sales and gross profit margin.

Our audit response:

Our audit procedures focus on evaluating the cash flow projections and the Group's projection procedures which included, among others:

- comparing the actual results with previous budget to assess the performance of the business and reliability of forecasting process;
- comparing the Group's assumptions to externally derived data as well as our assessments in relation to key inputs such as discount rates, forecast sales growth rate and gross profit margin;
- testing the mathematical accuracy of the impairment assessment; and
- performing a sensitivity analysis around the key inputs that are expected to be most sensitive to the recoverable amount.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KIM TECK CHEONG CONSOLIDATED BERHAD
(Incorporate in Malaysia)
cont'd

Key Audit Matters *cont'd*

Receivables (Note 11 to the financial statements)

We focused on this area because the Group made judgements over both the events or changes in circumstances indicating that receivables are impaired and the estimation of the size of any such impairment. The receivables are monitored individually by the Group and therefore the impairment is assessed based on knowledge of each individual receivable.

Our audit response:

Our audit procedures included, among others:

- evaluating the impairment assessment of receivables that were either in default or significantly overdue;
- understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports and other collection reports prepared by the Group;
- obtaining confirmation of balances from selected samples of receivables; and
- reviewing subsequent receipts, customer correspondence, and considering level of activity with the customer and management explanation on recoverability with significantly past due balances.

Inventories (Note 10 to the financial statements)

The valuation of the Group's inventories is stated at the lower of cost or net realisable value. The assessment of slow moving inventories and valuation of these inventories to its net realisable value is mainly based on directors' estimates.

We focused on the existence and valuation of inventories due to the significance of the value of inventories as part of the total assets and the multiple locations in which the inventories are located.

Our audit response:

Our audit procedures included, among others:

- attending year end physical inventory count to observe physical existence and condition of the finished goods during the count;
- reviewing subsequent sales and evaluating management's assessment on estimated net realisable value on selected inventory items; and
- evaluating whether the inventories have been written down to their net realisable value for inventory items with net realisable value lower than their cost.

<u>Company</u>

Investment in subsidiaries (Note 6 to the financial statements)

The Company determined whether there is any indication of impairment in investment in subsidiaries.

The recoverable amount of investment in subsidiaries was determined based on value-in-use which involves exercise of significant judgement on the discount rates applied and the assumptions supporting the underlying cash flow projections which include future sales, gross profit margin and operating expenses.

Our audit response:

Our audit procedures focused on evaluating the cash flow projections and the Company's forecasting procedures which included, among others:

- comparing the actual results with previous budget to assess the performance of the business and reliability of the forecasting process;
- comparing the Company's assumptions to externally derived data as well as our assessments in relation to key assumptions to assess their reasonableness and achievability of the projections;
- testing the mathematical accuracy of the impairment assessment; and
- performing a sensitivity analysis around the key assumptions.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KIM TECK CHEONG CONSOLIDATED BERHAD
(Incorporate in Malaysia)
cont'd

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal controls as the directors determine are necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KIM TECK CHEONG CONSOLIDATED BERHAD
(Incorporate in Malaysia)
cont'd

Auditors' Responsibilities for the Audit of the Financial Statements *cont'd*

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, is disclosed in Note 6 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng
No. AF0117
Chartered Accountants

Kenny Yeoh Khi Khen
No. 03229/09/2020 J
Chartered Accountant

Kuala Lumpur

Date: 29 October 2018

GROUP'S PROPERTIES
AS AT 30 JUNE 2018

Registered/ Beneficial Owner	Title/Address	Description/ Existing Use	Age of the Building/ Tenure	Land/ Built–up Area sq ft	Date of Last Revaluation	Carrying Amount as at 30 June 2018 RM
Creamos Malaysia	**Title** Master Title CL 015585501, District of Kota Kinabalu, State of Sabah **Address** Lot No. 3, Lorong 1F KKIP Selatan, Industrial Zone 4 (I.Z. 4), Kota Kinabalu Industrial Park, 88460 Telipok, Kota Kinabalu, Sabah ("Lot 3")	**Description** Industrial land with a detached 3-storey office cum single-storey warehouse building **Existing use** (i) Ground floor of the 3-storey office is used by Creamos Malaysia as storage; (ii) A portion of ground floor (approximately 235 sq ft) is used by Creamos Malaysia as sanitation room; (iii) First and second floor of the 3-storey office is used by Creamos Malaysia as office; and (iv) Warehouse building is used by Creamos Malaysia as factory. A small part of the exterior of the building at Lot 3 is used by Digi Telecommunications Sdn Bhd for the installation of base transceiver station facility and for the installation of antennas and/ or other telecommunications equipment.	**Approximate age of the building** 9 years **Tenure** 99 years expiring 31 December 2098	81,457/ 20,595	29 May 2015	7,148,533
KTC Distribution	**Title** Master Title CL 015585501, District of Kota Kinabalu, State of Sabah **Address** Lot No. 5, Jalan 1F K.K.I.P, Kota Kinabalu Industrial Park (KKIP), Industrial Zone 4 (IZ4), 88460 Kota Kinabalu, Sabah	**Description** Industrial land with a detached single-storey warehouse/cold room storage industrial building **Existing Use** Entire building is used by KTC Distribution as office and warehouse storage.	**Approximate age of the building** 5 years **Tenure** 99 years expiring on 31.12.2098	105,809/ 15,500	20 October 2014	6,814,207

GROUP'S PROPERTIES
AS AT 30 JUNE 2018
cont'd

Registered/ Beneficial Owner	Title/Address	Description/ Existing Use	Age of the Building/ Tenure	Land/ Built–up Area sq ft	Date of Last Revaluation	Carrying Amount as at 30 June 2018 RM
KTC Sdn Bhd	**Title** CL 015379674, District of Kota Kinabalu, State of Sabah **Address** No. 22, Jalan Kilang, SEDCO Light Industrial Estate, Kolombong, Off KM 9, Jalan Tuaran 88450, Kota Kinabalu Sabah	**Description** Industrial land with a detached 2-storey office building annexed with a single-storey warehouse and an extended warehouse **Existing use** (i) Ground floor of the 2-storey office building is used by KTC Borneo as office; (ii) First floor of the 2-storey office building is used by KTC Sdn Bhd as office; (iii) A portion of first floor (approximately 100 sq ft) is used by Glaxosmithkline Consumer Health Sdn Bhd as office; (iv) A portion of first floor (approximately 100 sq ft) is used by Kimberly-Clark Trading (M) Sdn Bhd as office; (v) A portion of first floor (approximately 100 sq ft) is used by Hawley & Hazel Chemical Co. (HK) Sdn Bhd as office; and (vi) Existing and extended warehouses are used by KTC Borneo as warehouse storage.	**Approximate age of the building** 35 years and 30 years (for extended warehouse) **Tenure** 60 years expiring on 31.12.2034	53,580/ 26,600	20 October 2014	9,602,140
KTC Sdn Bhd	**Title** CL 015620701, District of Kota Kinabalu, State of Sabah **Address** Lot 74A, Jalan Kilang, SEDCO Light Industrial Estate, Kolombong, Off KM 9 Jalan Tuaran, 88450 Kota Kinabalu, Sabah	**Description** Industrial land with a semi-detached 2-storey showroom/ office-cum-single-storey-warehouse **Existing Use** (i) Ground and first floor of the showroom/ office is used by KTC Sdn Bhd as office; and (ii) Warehouse is used by KTC Sdn Bhd for warehouse storage.	**Approximate age of the building** 12 years **Tenure** 60 years expiring on 31.12.2072	20,076/ 11,592	20 October 2014	4,744,416

GROUP'S PROPERTIES

AS AT 30 JUNE 2018

cont'd

Registered/ Beneficial Owner	Title/Address	Description/ Existing Use	Age of the Building/ Tenure	Land/ Built–up Area sq ft	Date of Last Revaluation	Carrying Amount as at 30 June 2018 RM
KTC Sdn Bhd	**Title** CL 015620710, District of Kota Kinabalu, State of Sabah **Address** Lot 74B, Jalan Kilang, SEDCO Light Industrial Estate, Kolombong, Off KM 9 Jalan Tuaran, 88450 Kota Kinabalu, Sabah	**Description** Industrial land with a semi-detached 2-storey showroom/ office-cum-single-storey-warehouse **Existing Use** (i) Ground floor of the showroom/office is used by KTC Sdn Bhd as office; (ii) First floor is used by KTC Sdn Bhd as office and a portion (approximately 1,000 sq ft) is used by Danone Dumex (Malaysia) Sdn Bhd as office; and (iii) Warehouse is used by KTC Sdn Bhd for warehouse storage.	**Approximate age of the building** 12 years **Tenure** 60 years expiring on 31.12.2072	19,540/ 11,592	20 October 2014	4,656,345
KTC Sdn Bhd	**Title** CL 015424423, District of Kota Kinabalu, State of Sabah **Address** Lot 73, Jalan Kilang, SEDCO Light Industrial Estate, Kolombong, Off KM 9 Jalan Tuaran, 88450, Kota Kinabalu, Sabah	**Description** Industrial land with a detached single-storey warehouse cum 2-storey office building **Existing Use** (i) Ground floor and first floor of the office building are used by KTC Sdn Bhd as office; and (ii) Warehouse is used by KTC Sdn Bhd as warehouse storage.	**Approximate age of the building** 24 years **Tenure** 60 years expiring on 31.12.2070	42,857/ 17,600	20 October 2014	9,032,928
KTC Tawau	**Title** CL 105508601, CL 105508610, CL 105508629, District of Tawau, State of Sabah **Address** TB 9889, Lot 1A, 2A and 3A, Perdana Square, KM 6, Jalan Apas, 91000 Tawau, Sabah	**Description** Three (3) parcel of commercial lands with 2-storey office cum single-storey warehouse building **Existing Use** (i) First floor of the building is used as office; and (ii) Ground floor of the building and high ceiling warehouse area is used as warehouse storage.	**Approximate age of the building** 8 years **Tenure** 99 years expiring on 31.12.2101	35,761/ 22,974	20 October 2014	5,943,946

GROUP'S PROPERTIES
AS AT 30 JUNE 2018
cont'd

Registered/ Beneficial Owner	Title/Address	Description/ Existing Use	Age of the Building/ Tenure	Land/ Built–up Area sq ft	Date of Last Revaluation	Carrying Amount as at 30 June 2018 RM
KTC Transpacific	**Title** 01-LCPLS-014-008-00726, District of Muara Tebas Land, State of Sarawak **Address** Lot 726, Block 8, Muara Tebas Land District, Demak Laut Industrial Park, Jalan Bako, 93050 Kuching, Sarawak	**Description** Industrial land with a double storey office annexed with a single storey warehouse ("Warehouse 1") and a detached single storey warehouse ("Warehouse 2") **Existing Use** (i) Ground and first floor of the double storey office are used as office; and (ii) Warehouse 1 and 2 are used as warehouse storage.	**Approximate age of the building** 10 years **Tenure** 60 years expiring on 14.06.2065	130,674/ 45,000	28 February 2017	4,793,099

ANALYSIS OF SHAREHOLDINGS
AS AT 17 OCTOBER 2018

Authorised Share Capital	:	RM100,000,000 divided into: 750,000,000 Ordinary Shares of RM0.10 each and 25,000,000 Redeemable Convertible Preference Shares of RM1.00 each
Issued and fully paid-up Share Capital	:	RM51,027,700 divided into 510,277,000 Ordinary Shares of RM0.10 each and RM24,001,858 divided into 24,001,858 Redeemable Convertible Preference Shares of RM1.00 each
Class of Shares	:	Ordinary Shares of RM0.10 each Redeemable Convertible Preference Shares of RM1.00 each
Voting Rights	:	One (1) vote per ordinary share The Redeemable Convertible Preference Share Does not carry voting right except circumstances set out in the Company's Articles of Association
Number of Shareholders	:	2,428

DISTRIBUTION OF ORDINARY SHAREHOLDINGS

Size of Holdings	No. of Shareholders	%	No. of Shares	%
1 – 99	12	0.494	384	0.000
100 – 1,000	137	5.642	81,106	0.015
1,001 – 10,000	754	31.054	5,091,960	0.997
10,001 – 100,000	1,309	53.912	52,031,650	10.196
100,001 – 25,513,849 (*)	215	8.855	84,794,900	16.617
25,513,850 and above (**)	1	0.041	368,277,000	72.171
Total	2,428	100.000	510,277,000	100.000

*Remark: * - Less than 5% of Issued Shares*
*** - 5% and above of Issued Shares*

DISTRIBUTION OF SHAREHOLDINGS IN REDEEMABLE PREFERENCE SHARES ("RCPS")

Size of Holdings	No of RCPS Shareholders	Shareholdings	%
Less than 100	-	-	-
100 – 1,000	-	-	-
1,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 to less than 5% of issued share capital	-	-	-
5% and above of issued share capital	1	24,001,858	100%
Total	1	24,001,858	100%

ANALYSIS OF SHAREHOLDINGS
AS AT 17 OCTOBER 2018
cont'd

SUBSTANTIAL SHAREHOLDERS
As per the Register of Substantial Shareholders

	Shareholdings			
Name	**Direct**	**%**	**Indirect**	**%**
Kim Teck Cheong Holdings Sdn Bhd	368,277,000	72.17	-	-
Kim Teck Cheong Capital Sdn Bhd	-	-	368,277,000[1]	72.17
Y.Bhg. Datuk Lau Koh Sing @ Lau Kok Sing	-	-	368,277,000[1]	72.17
Y.Bhg. Datin Lim Fook Len @ Lim Su Chin	-	-	368,277,000[2]	72.17
Lau Wei Dick @ Dexter Dick Lau	-	-	368,277,000[2]	72.17
Benedick Vicpaul Lau	-	-	368,277,000[2]	72.17
Lindfay Laura Lau	-	-	368,277,000[2]	72.17

Notes:-

[1] *Deemed interested by virtue of its/ his shareholdings in Kim Teck Cheong Holdings Sdn Bhd pursuant to Section 8 of the Companies Act, 2016 ("the Act").*

[2] *Deemed interested by virtue of his father's shareholdings in Kim Teck Cheong Holdings Sdn Bhd and his shareholdings Kim Teck Cheong Capital Sdn Bhd pursuant to Sections 6A and 197 of the Act.*

DIRECTORS' INTERESTS IN SHARES
As per the Register of Directors' Shareholdings

	Shareholdings			
Name	**Direct**	**%**	**Indirect**	**%**
Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra	-	-	-	-
Y.A.M. Tengku Datin Paduka Setia Zatashah Binti Sultan Sharafuddin Idris Shah	-	-	-	-
Y.Bhg. Datuk Lau Koh Sing @ Lau Kok Sing	-	-	368,277,000[1]	72.17
Y.Bhg. Datin Lim Fook Len @ Lim Su Chin	-	-	-	-
Lau Wei Dick @ Dexter Dick Lau	-	-	368,277,000[2]	72.17
Lim Hui Kiong	-	-	368,277,000[2]	72.17
Phang Sze Fui	-	-	-	-
Tan Jwee Peng	-	-	-	-

Notes:-

[1] *Deemed interested by virtue of its/ his shareholdings in Kim Teck Cheong Holdings Sdn Bhd pursuant to Section 8 of the Companies Act, 2016 ("the Act").*

[2] *Deemed interested by virtue of his father's shareholdings in Kim Teck Cheong Holdings Sdn Bhd and his shareholdings Kim Teck Cheong Capital Sdn Bhd pursuant to Sections 6A and 197 of the Act.*

ANALYSIS OF SHAREHOLDINGS

AS AT 17 OCTOBER 2018
cont'd

DIRECTORS' INTERESTS IN RCPS

As per the Register of Directors' Shareholdings

	Shareholdings			
Name	**Direct**	**%**	**Indirect**	**%**
Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra	-	-	-	-
Y.Bhg. Datuk Lau Koh Sing @ Lau Kok Sing	-	-	24,001,858[(1)]	100.00
Y.Bhg Datin Lim Fook Len @ Lim Su Chin	-	-	24,001,858[(2)]	100.00
Lau Wei Dick @ Dexter Dick Lau	-	-	24,001,858[(2)]	100.00
Lim Hui Kiong	-	-	-	-
Phang Sze Fui	-	-	-	-
Tan Jwee Peng	-	-	-	-
Wong Wen Miin	-	-	-	-

Notes:-

(1) *Deemed interested by virtue of its/ his shareholdings in Kim Teck Cheong Holdings Sdn Bhd pursuant to Section 8 of the Companies Act, 2016 ("the Act").*

(2) *Deemed interested by virtue of his father's shareholdings in Kim Teck Cheong Holdings Sdn Bhd and his shareholdings Kim Teck Cheong Capital Sdn Bhd pursuant to Sections 6A and 197 of the Act.*

THIRTY (30) LARGEST SHAREHOLDERS

No.	Name	Shareholdings	%
1.	Kim Teck Cheong Holdings Sdn Bhd	368,277,000	72.171
2.	Tasec Nominees (Tempatan) Sdn Bhd *Exempt An For TA Investment Management Berhad (Clients)*	5,313,700	1.041
3.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Siah Song Lin*	4,565,900	0.894
4.	Cheng Kok Ding @ Tank Kok Ding	3,639,000	0.713
5.	Ho Tau Tai	3,629,700	0.711
6.	Liew Siew Kian	3,019,600	0.591
7.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Liu Shet Mui (E-KKU)*	2,236,400	0.438
8.	Law Kee Kong	1,829,100	0.358
9.	Ng Choon Chuan	1,766,600	0.346
10.	Low Kam Fatt	1,600,000	0.313
11.	Mohd Azeem Shah Bin Aziz Mohammed	1,300,000	0.254
12.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Loh Wan Xian (E-TAI)*	1,276,200	0.250
13.	Tan Yen Chuan	1,130,000	0.221
14.	Kua Sai Ling @ Kua Sai Lin	1,060,000	0.207
15.	Yau Kim Weng	1,005,000	0.196

ANALYSIS OF SHAREHOLDINGS
AS AT 17 OCTOBER 2018
cont'd

THIRTY (30) LARGEST SHAREHOLDERS *cont'd*

No.	Name	Shareholdings	%
16.	Chung Tat Vui	1,000,000	0.195
17.	Public Nominees (Asing) Sdn Bhd *Pledged Securites Account For Phang Mah Thiang (E-LBG)*	924,100	0.181
18.	Maybank Securities Nominees (Asing) Sdn Bhd *Maybank Kim Eng Securities Pte Ltd For Ng Lay Ping*	900,000	0.176
19.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Loh Wai Chuan*	800,000	0.156
20.	Rhb Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For David Ling Howe Kim*	770,300	0.150
21.	Jf Apex Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Lee Chee Keong (STA 5)*	650,000	0.127
22.	Kenanga Nominees (Tempatan) Sdn Bhd *Soon Ewe Aik (PCS)*	650,000	0.127
23.	Yeo Eng Chong @ Yeo Yong Chong	630,000	0.123
24.	Kow Ah Loy	609,900	0.119
25.	Thien Wai Kam	602,600	0.118
26.	Sie Kheng Siang	601,800	0.117
27.	Loo Pang How	600,000	0.117
28.	Hui Yu Yang	550,000	0.107
29.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Lee Yong Kee*	520,000	0.101
30.	Lim Soo Hoon	500,100	0.098
		411,957,000	80.732

LIST OF RCPS HOLDER

No.	Name	Shareholdings	%
1.	Kim Teck Cheong Holdings Sdn Bhd	24,001,858	100.00

NOTICE OF THE FOURTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fourth Annual General Meeting of Kim Teck Cheong Consolidated Berhad ("**KTC**" or "**Company**") will be held at Shangri-La's Tanjung Aru Resort and Spa, No. 20, Jalan Aru Tanjung Aru, Kota Kinabalu, Sabah on Friday, 30 November 2018 at 10.00 a.m., or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the following resolutions with or without modifications:

ORDINARY BUSINESS:-

1. To receive the Audited Financial Statements for the financial year ended 30 June 2018 together with the Reports of the Directors and Auditors thereon. **Please refer to Note 1**

2. To approve the following payments to Non-Executive Directors:

   (i) Directors' fees of RM250,200 for the financial year ended 30 June 2018; **Resolution 1**
   (ii) Directors' fees of up to RM300,000 from 1 July 2018 up to the next Annual General Meeting of the Company to be held in 2019; and **Resolution 2**
   (iii) Meeting allowance of RM80,000 from 1 July 2018 up to the next Annual General Meeting of the Company to be held in 2019. **Resolution 3**

3. To re-elect the following Directors who retire by rotation pursuant to Article 85 of the Company's Articles of Association:

   Y. Bhg. Datin Lim Fook Len @ Lim Su Chin **Resolution 4**
   Mr. Tan Jwee Peng **Resolution 5**

4. To re-elect the following Directors who retire by rotation pursuant to Article 92 of the Company's Articles of Association.

   Ms. Phang Sze Fui **Resolution 6**
   Madam Wong Wen Miin **Resolution 7**

5. To appoint Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 8**

SPECIAL BUSINESS:-

To consider and, if thought fit, pass with or without modifications, the following Ordinary Resolution:-

6. **ORDINARY RESOLUTION** **Resolution 9**
   - **Authority for Directors to allot and issue shares pursuant to Section 76 of the Companies Act, 2016**

     "**THAT** pursuant to Section 76 of the Companies Act, 2016 and subject always to the approvals of the relevant authorities, the Directors be and are hereby authorised to allot and issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the issued and paid-up share capital of the Company for the time being **AND THAT** the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

NOTICE OF THE FOURTH ANNUAL GENERAL MEETING
cont'd

ANY OTHER BUSINESS:-

7. To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 2016.

BY ORDER OF THE BOARD

WONG YOUN KIM (MAICSA 7018778)
Company Secretary

Dated: 31 October 2018
Kuala Lumpur

NOTES:

1. *Item 1 of the Notice is meant for discussion only as the provision of Section 248(2) of the Companies Act, 2016 does not require a formal approval of shareholders for the Audited Financial Statements and hence, is not put forward for voting.*
2. *A member (other than an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991) entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. A proxy may but need not be a member of the Company.*
3. *Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
4. *Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("**Omnibus Account**") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
5. *The Form of Proxy shall be signed by the appointer or his attorney duly authorised in writing or, if the member is a corporation, must be executed under its common seal or by its duly authorised attorney or officer.*
6. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited by hand at the Registered Office of the Company not less than 48 hours before the time set for the Meeting or any adjournment thereof.*
7. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 26 November 2018 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the meeting or appoint proxy(ies) to attend and/or vote on his behalf.*
8. ***Explanatory Notes on Special Business***

   Resolution 8 pursuant to Section 76 of the Companies Act, 2016

   The proposed Ordinary Resolution 8 is intended to renew the authority granted to the Directors of the Company at the Third Annual General Meeting of the Company held on 27 November 2017 to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed 10% of the issued and paid-up share capital of the Company for the time being. This authority will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next Annual General Meeting.

   The Company did not issue any share pursuant to a mandate granted to the Directors at the last Annual General Meeting held on 27 November 2017.

   The general mandate for the issue of shares will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares for purpose of funding future investment, working capital and/or acquisition(s).

STATEMENT ACCOMPANYING NOTICE OF THE FOURTH ANNUAL GENERAL MEETING

1. The Directors seeking for re-election/re-appointment at the Fourth Annual General Meeting of Kim Teck Cheong Consolidated Berhad are as follows:

   Article 85

   Y. Bhg. Datin Lim Fook Len @ Lim Su Chin
   Mr. Tan Jwee Peng

   Article 92

   Ms. Phang Sze Fui
   Madam Wong Wen Miin

   The profiles of the Directors who are standing for re-election is set out on pages 6 to 13 of this Annual Report.

2. The details of attendance of the Directors of the Company at Board of Directors' Meetings held during the financial year ended 30 June 2018 are disclosed in the respective profiles of the Directors.

3. The details of the Fourth Annual General Meeting are as follows:

Date of Meeting	Time of Meeting	Place of Meeting
Friday, 30 November 2018	10.00 a.m.	Shangri-La's Tanjung Aru Resort and Spa, No. 20, Jalan Aru Tanjung Aru, Kota Kinabalu, Sabah.

PROXY FORM

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

I/We____
(name of shareholder as per NRIC, in capital letters)

NRIC No./Passport No./Company No.__________________________(New) ____________________________(Old)

of____
(full address)

being a Member/Members of Kim Teck Cheong Consolidated Berhad hereby appoint ____________________________

________________________NRIC No. __________________________(New)____________________________(Old)
(name of proxy as per NRIC, in capital letters)

of____
(full address)

or failing him/her the Chairman of the meeting as my/our proxy to vote on my/our behalf at the Fourth Annual General Meeting of the Company to be held at Shangri-La's Tanjung Aru Resort and Spa, No. 20, Jalan Aru Tanjung Aru, Kota Kinabalu, Sabah on Friday, 30 November 2018 at 10.00 a.m..

I/We direct my/our proxy to vote for or against the resolution to be proposed at the meeting as hereunder indicated.

Ordinary Resolutions		**For**	**Against**
1	To approve the following payments to Non-Executive Directors: Directors' fees of RM250,200 for the financial year ended 30 June 2018		
2	To approve the following payments to Non-Executive Directors: Directors' fees of up to RM300,000 from 1 July 2018 up to the next Annual General Meeting of the Company to be held in 2019		
3	To approve the following payments to Non-Executive Directors: Meeting allowance of RM80,000 from 1 July 2018 up to the next Annual General Meeting of the Company to be held in 2019		
4	Re-election of Director – Y. Bhg. Datin Lim Fook Len @ Lim Su Chin		
5	Re-election of Director – Mr. Tan Jwee Peng		
6	Re-election of Director – Ms. Phang Sze Fui		
7	Re-election of Director – Madam Wong Wen Miin		
8	To appoint Auditors of the Company and to authorise the Board of Directors to fix their remuneration		
9	Authority to Issue Shares Pursuant to Section 76 of the Companies Act, 2016		

Dated this ____________ day ________________ 2018

CDS ACCOUNT NO.	**NUMBER OF SHARES HELD**

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	Percentage
Proxy 1	%
Proxy 2	%
Total	100%

____
Signature/Common Seal

Fold this flap for sealing

NOTES:

1. *A member (other than an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991) entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. A proxy may but need not be a member of the Company.*
2. *Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
3. *Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
4. *The Proxy Form shall be signed by the appointer or his attorney duly authorised in writing or, if the member is a corporation, must be executed under its common seal or by its duly authorised attorney or officer.*
5. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited by hand at the Registered Office of the Company not less than 48 hours before the time set for the Meeting or any adjournment thereof.*
6. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 26 November 2018 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the meeting or appoint proxy(ies) to attend and/or vote on his behalf.*

Then fold here

Affix
stamp

The Company Secretary
Kim Teck Cheong Consolidated Berhad
Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Malaysia

1st fold here

www.kimteckcheong.com

Kim Teck Cheong Consolidated Berhad (1113927-H)

Lot 73, Jalan Kilang, SEDCO Light Industrial Estate,
Mile 5 1/2, Jalan Tuaran, 88450 Kota Kinabalu, Sabah, Malaysia.

T : +6013 811 0111
F : +6088 422 011
E : info@kimteckcheong.com

CORPORATE GOVERNANCE REPORT

STOCK CODE	**:**	0180
COMPANY NAME	**:**	KIM TECK CHEONG CONSOLIDATED BERHAD
FINANCIAL YEAR	**:**	June 30, 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE
Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA
Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application :	Applied	
Explanation on application of the practice :	The Board is responsible for the overall management of the Company. The Board delegates the day to day management to the Executive Directors ("ED"), save for the significant matters reserved for the Board's approval, such as financial results (quarterly or annually), declaration of dividends, review annual budget and business plan, issuance of new shares, expenditure above a certain limit, disposals or acquisition of significant fixed assets and etc. The Board has steered the Company in a business direction that promote sustainability in its business operation and corporate value. The Company has an ongoing product development process with the aim to continue improving the products' quality, in order to preserve the well-known quality of its products.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.2
A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	:	Applied	
Explanation on application of the practice	:	The Board is led by Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra, the Independent Non-Executive Chairman who is capable to lead the Board based on his entrepreneurial leadership and at the same time guided by the independent advice and views from the Independent Directors, who offer the necessary checks and balances in the decision making process of the Board. The Chairman plays an instrumental role in providing leadership to the Board for all aspects of the Board's roles and responsibilities, ensuring that operations conform to the Board's strategic directions, Company's vision and corporate policies, as well as facilitating the communication and understanding between the Management and the Board. The Chairman presides over board meetings and ensures that all directors' views are heard, ensures sufficient time for discussion of each agenda, and provides fair opportunity to all directors to participate actively and constructively during the meetings and discussions.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.3
The positions of Chairman and CEO are held by different individuals.

Application	:	Applied	
Explanation on application of the practice	:	The roles of Chairman and Executive Directors are exercised by different individuals. A clear segregation of their responsibilities and powers is stated and defined in the Company's Board Charter. Besides ensuring an appropriate balance of power and authority, the segregation of roles facilitates an open exchange of views and opinions between the Board and the Management in their deliberation of the business, strategies and key operations of the Group.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.4
The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	:	Applied	
Explanation on application of the practice	:	The Board is assisted by a qualified and competent Company Secretary who is a member of the Malaysian Institute of Chartered Secretaries and Administrators. The Company Secretary provides support to the Board in carrying out its fiduciary duties and stewardship role in shaping the standard of corporate governance of the Group. In this respect, she plays an advisory role to the Board, particularly with regards to the Company's Articles, Board's policies and procedures as well as its compliance with regulatory requirements, codes, guidelines, legislations and the principles of best corporate governance practices. The Company Secretary also attends all Board, Board Committee and general meetings, and ensure that deliberations at the meetings are accurately minuted and kept in the minutes books and subsequently communicated to the relevant party for necessary actions. Such minutes of meetings are confirmed by the respective Board Committees and signed by the Chairman of the meeting. All Directors have unrestricted access to the advice and services of the Company Secretary for the purposes of the Board's affairs and the business of the Group.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

<table>
<tr><td>Application :</td><td colspan="2">Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2">Reasonable notice of meetings and the agenda on the business to be conducted at the meetings were circulated to all Directors at least one (1) week before each meeting. The board papers that provided relevant information such as minutes of previous meetings, management reports and financial reports were furnished to the Directors at least five (5) working days prior to the Board meeting so that each Director had ample time to review the papers to enable informed decision making.</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

Intended Outcome
There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1
The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied	
Explanation on application of the practice	:	The Board has formally adopted a Board Charter which provides guidance to the Board in the fulfillment of its roles, duties and responsibilities. The Board Charter was drawn up in line with the Board's commitment to comply with relevant legislations, regulations and the principles of good corporate governance. The Board Charter outlines the composition and structure of the Board, the Board's powers, duties and responsibilities, and processes and procedures for Board meeting. The Board Charter will be reviewed periodically and updated from time to time to reflect changes to the Company's policies, procedures and processes as well as changes to legislations and regulations. The Board Charter is available on the Company's website at www.kimteckcheong.com .	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1
The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied	
Explanation on application of the practice	:	Good governance at all levels is essential for sustainable development. The Board is committed to embrace the highest standards of corporate governance practices and ethical standard throughout the Group. In this respect, the Group has established a Code of Ethics and Code of Conduct to provide direction and guidance to all Directors, Senior Management, employees and external parties in the discharge of their duties and responsibilities that will be in the best interest of the Group. The Code of Ethics and Conduct had been uploaded on the Company's website at www.kimteckcheong.com.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2
The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied	
Explanation on application of the practice	:	The Board is committed to achieve and maintain high standards of corporate governance practices across the Group. A Whistle-blowing policy is implemented to provide a channel to enable Directors, Employees, Shareholders, Vendors or any parties with a business relationship of the Group with an avenue to report suspected wrongdoings that may adversely impact the Group. It also outlines the procedures for reporting a genuine concern on any breach of conduct that are taking place, have taken place or may take place in the future. The Company treats all reports in a confidential manner and at the same time provides protection to anyone who reports such concerns in good faith. Further details pertaining to the Whistle-blowing Policy can be found at the Company's website at www.kimteckcheong.com.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.1
At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Application	:	Applied	
Explanation on application of the practice	:	The present Board, comprises eight (8) Directors i.e. one (1) Independent Non-Executive Chairman, one (1) Senior Independent Non-Executive Director, three (3) Executive Directors, one (1) Non-Independent Non-Executive Director and two (2) Independent Non-Executive Directors. The Board believes that the current size and composition reflects an appropriate balance of Executive and Non-Executive Directors which is adequate for the scope and nature of the Group's business and operations.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.2
The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application :	Not applicable - No independent director(s) serving beyond 9 years	
Explanation on application of the practice :		
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

Application	:	Adopted
Explanation on adoption of the practice	:	In compliance with the recommendations of Malaysian Code On Corporate Governance, all of the Independent Directors of the Company has tenure not exceeding a cumulative term of nine (9) years.

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.4
Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Application	:	Applied	
Explanation on application of the practice	:	The Board delegates the screening and evaluation process of candidates for nomination to the Board and the Directors to be nominated for re-election to the Nomination Committee. The Nomination Committee has the responsibility to ensure that the Board comprises suitably qualified members that demonstrate appropriate qualities and experience that contribute to the effective oversight and stewardship.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.5
The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

Application :	Applied	
Explanation on application of the practice :	The Board has no specific policy on gender, age and ethnicity for candidates to be appointed to the Board. The evaluation of the suitability of candidates is based on the candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company. The Nomination Committee, will however continue to take steps to ensure that gender, age and ethnicity of the candidates will be taken into consideration as part of its recruitment exercise.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Applied	
Explanation on application of the practice	:	Appointments of new Directors are undertaken by the Board as a whole after considering the recommendations of the Nomination Committee. Potential candidates may be proposed by any current Board member, shareholder or senior management personnel or by utilising independent sources such as recruitment firms or through industry associations. In considering potential candidates for appointment, the Nomination Committee undertakes a thorough review of the candidate's criteria, amongst others, qualifications, skills, knowledge, expertise, experience, personal attributes and the capability to devote the necessary time and commitment to the role. During the financial year, no new Director was appointed.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.7
The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

<table>
<tr><td>Application</td><td>:</td><td colspan="2">Applied</td></tr>
<tr><td>Explanation on application of the practice</td><td>:</td><td colspan="2">The Nomination Committee comprises exclusively of Independent Non-Executive Directors and is chaired by the Senior Independent Non-Executive Chairman.

<table>
<tr><td>Name of Director</td><td>Designation</td><td>No. of Meetings Attended</td></tr>
<tr><td>Tan Jwee Peng</td><td>(Chairman)</td><td>1/1</td></tr>
<tr><td>Y.A.M. Tengku Datin Paduka Setia Zatashah Binti Sultan Sharafuddin Idris Shah</td><td>(Member)</td><td>1/1</td></tr>
<tr><td>Wee Hock Kee (resigned on 4 September 2018)</td><td>(Member)</td><td>1/1</td></tr>
<tr><td>Phang Sze Fui (Appointed on 28 September 2018)</td><td>(Member)</td><td>N/A</td></tr>
</table></td></tr>
<tr><td rowspan="2">Explanation for departure</td><td rowspan="2">:</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="4">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure</td><td>:</td><td colspan="2"></td></tr>
<tr><td>Timeframe</td><td>:</td><td></td><td></td></tr>
</table>

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application :	Applied		
Explanation on application of the practice :	The Nomination Committee annually performs an assessment of the effectiveness and performance of the Board, Board Committees and individual Directors, in order to verify that the Board is functioning appropriately as a whole. Each Director completed a detailed questionnaire in the Directors' Performance Evaluation which covered matters relevant to the Board performance, among other things, contribution to interaction, quality of input, understanding of role and personal developments. An evaluation of each Board Committee was done by assessing the structure, roles and responsibilities, performance of the respective Chairman, as well as Committee's performance against its Terms of Reference. The assessment was internally facilitated, whereby results of the assessments had been compiled, documented and reported to the Board accordingly, as part of the Company's ongoing corporate governance practices.		
Explanation for departure :			
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure :			
Timeframe :			

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Applied	
Explanation on application of the practice	:	The Remuneration Committee is responsible for recommending to the Board the remuneration framework for Directors as well as the remuneration packages of Executive Directors. The Executive Directors did not participate directly in any way in determining their individual remuneration. The Board as a whole determines the remuneration of Non-Executive Directors with individual Directors abstaining from decisions in respect of their individual remuneration. The Board recommends the Director's fees payable to Independent Non-Executive Directors on a yearly basis to the shareholders for approval at the Annual General Meeting.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2
The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

<table>
<tr><td>Application :</td><td colspan="2">Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2">The Remuneration Committee was established to assist the Board in developing remuneration policies and procedures that enable the Group to attract, motivate and retain qualified Directors and key Senior Management personnel. Full details of the functions and duties of the Remuneration Committee are stated in its Terms of Reference which is available on the Company's website, www.newhoongfatt.com.my.

The Remuneration Committee comprises wholly Independent Non-Executive Directors.</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

Intended Outcome
Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.1
There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

<table>
<tr><td>Application :</td><td colspan="2">Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2">The detailed breakdown of individual Directors' remuneration are disclosed in the Corporate Governance Overview Statement of the 2018 Annual Report.</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The details of senior management's remuneration are not shown, as the Board considers the information of the said remuneration to be sensitive and proprietary in view of the competitive nature of the human resource market and to support the Company's efforts in retaining executive talents. The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to senior management's remuneration are appropriately served by the disclosures in the RM50,000 bands. The total remuneration paid to each senior management reflects the time and effort devoted to fulfil his or her responsibilities on the Board and linked to the Group's performance.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.1
The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Audit and Risk Management Committee is not the Chairman of the Board.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.2
The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Applied	
Explanation on application of the practice	:	The Group has always recognised the need to uphold independence. None of the members of the Board were former key audit partners within the cooling-off period of two (2) years. Hence, there is no such person being appointed as a member of the Audit and Risk Management Committee.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.3
The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied	
Explanation on application of the practice	:	The external auditors of the Company fulfill an essential role in giving assurance to the Company's shareholders on the reliability of the Group's financial statements. The Audit and Risk Management Committee reviews the independence, performance and remuneration of the External Auditors before recommending them to the shareholders for re-appointment in the AGM on an annual basis. The External Auditors would provide written assurance to the Board in respect of its independence to act as the External Auditors of the Group. The Audit Committee would convene a private session with the External Auditors and Internal Auditors without the presence of the Executive Directors and Management. During the financial year ended 30 June 2018, the Audit Committee had conducted private sessions with the External Auditors without the presence of the Executive Directors and Management.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.4 - Step Up
The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The Audit Committee comprises exclusively of Independent Non-Executive Directors.

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.5
Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied	
Explanation on application of the practice	:	The Audit Committee consists of three (3) members, all of whom are independent non-executive directors. The Chairman of the Audit Committee is a member of the Malaysian Institute of Accountants and has relevant financial experience and expertise to effectively fulfil the role of Audit Committee Chairman. During the financial year, the Nomination Committee had reviewed and evaluated the effectiveness of Audit Committee and each of its members. The Audit Committee was assessed based on quality and composition, skills and competencies, as well as meeting administration and conduct. Based on the results of the assessment, the Nomination Committee was satisfied that the Audit Committee and its members had discharged their functions effectively and had carried out their duties in accordance with its Terms of Reference. During the financial year, all the Directors had participated in various training programs. The particulars of the seminars and courses attended by all the Directors are disclosed in the Corporate Governance Overview Statement of the 2017 Annual Report.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.1
The board should establish an effective risk management and internal control framework.

Application :	Applied	
Explanation on application of the practice :	The Board acknowledges that risk management and internal control system are an integral part of effective management practice. As risk is inherent in all business activities, hence it is not the Group's objective to eliminate risk totally. There is an on-going process in place to identify, evaluate, monitor and manage key risks faced by the Group and the Board reviews the key risks highlighted to ensure the relevant action is taken to mitigate the risk of the Group to safeguard shareholders' investment and Group's assets.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.2
The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application :	Applied	
Explanation on application of the practice :	The Board has established an Internal Audit function and appointed Ms. Ruth Krishnan as the in-house Internal Auditor Functionally, the Internal Auditor reports to the Audit and Risk Management Committee directly and she is responsible for conducting periodic reviews and appraisals of the effectiveness of the governance, risk management and internal control processes within the Group. The scope of work covered by the internal audit function during the financial year, summary of activities carried out, including its observations and recommendations, are provided in the Statement on Risk Management and Internal Control and Audit and Risk Management Committee Report of the Annual Report.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application	:	Adopted
Explanation on adoption of the practice	:	The Board acknowledges its overall responsibility to maintain effective governance, risk management and compliance framework. Supported by the Management and internal audit function, the Board ensures the adequacy and effectiveness of the Group's risk management and internal control practices. The Board is responsible to ensure that the Group complies with all applicable provisions of law and regulations and ensures that appropriate risk management systems are in place throughout the Group. The Audit and Risk Committee assists the Board to oversee and review the effectiveness of the Group's risk management and internal control systems. To facilitate effective monitoring, the Board regularly receives reports from the Management on any risks related to its business activities that have impacted or likely to impact the Company from achieving its objectives and strategies. Details of the Group's risk management and internal control framework are presented in the Statement on Risk Management and Internal Control of the 2017 Annual Report.

Intended Outcome
Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.1
The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied	
Explanation on application of the practice	:	The Group's internal audit function is carried out by the in-house Internal Auditor, Ms. Ruth Krishnan who is independent of the activities she audits. The Board, through the Audit and Risk Management Committee conducts annual review on the effectiveness of the internal audit function which includes the assessment on the quality of audit review to ensure that the Internal Auditor has sufficient knowledge and experience to perform her role effectively.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2
The board should disclose–
- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied	
Explanation on application of the practice	:	The in-house Internal Auditor reports directly to the Audit and Risk Management Committee, who receives reports of issues and recommendations arising from each review. The internal auditor has also carried out follow-up reviews to ensure that recommendations for improving the internal control systems were being implemented satisfactorily.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1
The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied	
Explanation on application of the practice	:	The Annual General Meeting is the key element of the Company's dialogue with its shareholders. During the AGM, shareholders are encouraged to ask questions about the resolutions being proposed, about the Company's operations in general or about the annual reports of the Company and of the Group. All the Directors, Senior Management and External Auditors are available in the Annual General Meeting to provide responses to questions from the shareholders.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2
Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application :	Departure	
Explanation on application of the practice :		
Explanation for departure :	The Company would consider adopting integrated reporting based on globally recognised framework in the near future.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.1
Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied	
Explanation on application of the practice	:	The Notice of Annual General Meeting for year 2018 ("AGM") to be held on 30 November 2018 was served on 31 October 2018 which is more than 28 days prior to the date of the AGM. In order to facilitate informed decision by the shareholders, notice of meeting is also accompanied by explanatory notes on the items of business to further explain the nature of business of the meeting.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Applied	
Explanation on application of the practice	:	All the directors present themselves at the previous AGMs. The Audit and Risk Management Committee Chairman, the Nomination Committee Chairman and the Remuneration Committee Chairman were being informed that questions relating to the Committee under their purview will be addressed by them accordingly.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application :	Applied	
Explanation on application of the practice :	The AGM of the Company is being held at a location in the city area and accessible via public transport. Moving forward, the Company will consider leveraging on technology to facilitate greater shareholders' participation in general meeting.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

Click here to enter text.