

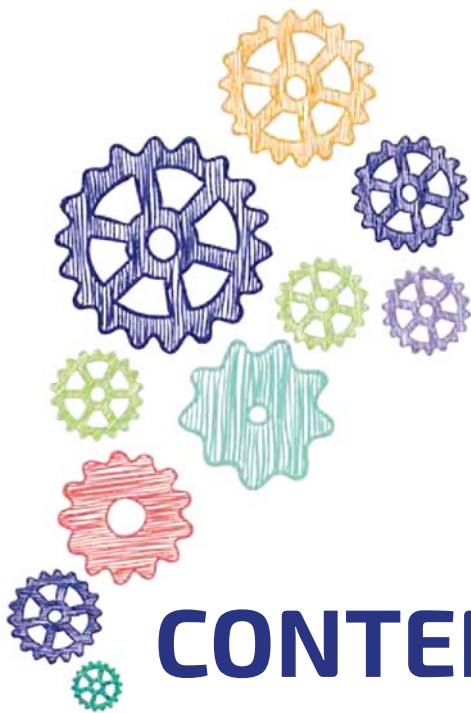


金 德 昌 控 股 集 团
KIM TECK CHEONG CONSOLIDATED BERHAD



ANNUAL REPORT

2019



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ABOUT
***KIM
TECK
CHEONG***

Equipped with over 82 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 the distribution of Consumer Package Goods (“CPG”) in East Malaysia with over 7,355 sales and distribution points covering more than 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, over-the-counter (“OTC”) drugs and health supplements.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra

*Independent Non-Executive
Chairman*

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*

Lau Wei Dick

@ Dexter Dick Lau

*Non-Independent Executive
Director*

Lim Hui Kiong

*Non-Independent Executive
Director*

Phang Sze Fui

*Independent Non-Executive
Director*

Wong Wen Miin

*Independent Non-Executive
Director*

Y. Bhg. Dato' Mohd Ibrahim Bin Mohd Nor

*Independent Non-Executive
Director*

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

*Non-Independent Non-Executive
Director*

AUDIT AND RISK MANAGEMENT COMMITTEE

Chairman

Phang Sze Fui

Members

Wong Wen Miin

Y. Bhg. Dato' Mohd Ibrahim Bin
Mohd Nor

REMUNERATION COMMITTEE

Chairman

Wong Wen Miin

Members

Y. Bhg. Datuk Lau Koh Sing

@ Lau Kok Sing

Phang Sze Fui

NOMINATION COMMITTEE

Chairman

Y. Bhg. Dato' Mohd Ibrahim Bin

Mohd Nor

Members

Wong Wen Miin

Phang Sze Fui

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 : +6088-422 011

Email : investorrelation@

kimteckcheong.com

Website : www.kimteckcheong.com

AUDITORS

PKF Malaysia
Lot 23-1 & 25-1, 1st Floor
Lintas Plaza
Lorong Lintas Plaza
88300 Kota Kinabalu
Sabah, Malaysia

Tel : +6088-266 723

Fax : +6088-267 721

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
(Ceased w.e.f 1 July 2019)

REGISTRAR

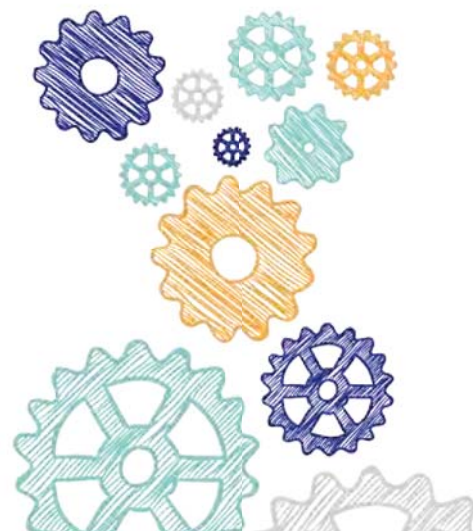
Tricor Investor & Issuing House Services
Sdn Bhd (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : +603-2783 9299
Fax : +603-2783 9222

PRINCIPAL BANKERS

Amlslamic 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)
OCBC Bank (Malaysia) Berhad (295400-W)
Bank of China (Malaysia) Berhad (511251-V)

STOCK EXCHANGE

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



CORPORATE STRUCTURE



KIM TECK CHEONG CONSOLIDATED BERHAD



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



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



KIM TECK CHEONG (BORNEO) SDN. BHD.
("KTC Borneo")



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



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



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



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



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



KIM TECK CHEONG TRANSPACIFIC SDN. BHD.
(Formerly known as Trans Paint Sdn Bhd)



KIM TECK CHEONG GRAND TOP SDN. BHD.
("KTC Grandtop")
(Formerly known as Grandtop Marketing Sdn. Bhd.)

CORPORATE MILESTONES

1938

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

1946

Started a departmental store in **Kota Kinabalu**

1983

Incorporated **KTC Tawau** for distribution of CPG

Established distribution centre in **Tawau, Sabah**

1975

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



2019

Change of Grandtop Marketing Sdn Bhd to **KTC Grandtop**

Acquire remaining 20% equity interest in **KTC Sarawak**

2017

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

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

2015

Listed on the ACE Market of Bursa Malaysia Securities Berhad

2018

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

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**

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

2013

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

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

2011

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

2012

Incorporated **Creamos Malaysia** to manufacture bakery products

BOARD OF DIRECTORS



Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra

72 | 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 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 subsequently 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. During his tenure, he has been 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)



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

74 | Male | Malaysian | Non-Independent Managing Director

Date of appointment	: 17 October 2014
Qualification	: He completed his high school education in 1965.
Working experience & Occupation	: He worked in an 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 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	: 5/5

BOARD OF DIRECTORS

(cont'd)



Y. Bhg. Datin Lim Fook Len @ Lim Su Chin

66 | 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. From 1997 until 2012, she has been assisting in the supervision and management of 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	: 3/5

BOARD OF DIRECTORS

(cont'd)



Lau Wei Dick @ Dexter Dick Lau

40 | 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. 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 East 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 of Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing and Y. Bhg. Datin Lim Fook Len @ Lim Su Chin Nephew of Lim Hui Kiong Brother of Lindfay Laura 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)



Lim Hui Kiong

60 | Male | Malaysian | Non-Independent Executive Director

Date of appointment	: 2 December 2014
Qualification	: He completed his high school education in 1979.
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 the east coast of Sabah. He was instrumental in building up the network of suppliers and customers particularly in east coast of Sabah. 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 Uncle of Lindfay Laura 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)



Phang Sze Fui

47 | 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	: <p>She 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 acquired an in-depth knowledge in auditing, accounting, taxation, Companies Act, listing requirements of Bursa Malaysia Securities Berhad and the Securities Commission guidelines.</p> <p>She began her career at Messrs. Baker Tilly Monteiro Heng, Kuala Lumpur in 1997, started as an Audit Assistant in Audit Division and was then subsequently promoted to the position of Senior Audit Manager in 2007. 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 the 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.</p> <p>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, preparation of annual report, external reporting, and the Human Resource Department, Administration Department as well as the Management Information System Department.</p> <p>After her tenure in Dolphin Applications Sdn. Bhd., she established Avia Alliance Sdn. Bhd., an accounting and consultancy services firm in August 2017. She is currently involved in corporate exercises and handling special projects for local and overseas projects as well as providing accounting related services.</p>
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	: Mestron Holdings Berhad SDS Group Berhad
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	: 4/4

BOARD OF DIRECTORS

(cont'd)



Wong Wen Miin

62 | Female | Malaysian | Independent Non-Executive Director

Date of appointment	: 26 October 2018
Qualification	: She 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	: She 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	: Ecobuilt Holdings Berhad (formerly known as M-Mode Berhad)
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	: 3/3

BOARD OF DIRECTORS

(cont'd)



Y. Bhg. Dato' Mohd Ibrahim Bin Mohd Nor

59 | Male | Malaysian | Independent Non-Executive Director

Date of appointment	: 3 December 2018
Qualification	: Y. Bhg. Dato' Mohd Ibrahim earned his Masters in Business Administration from Drake University, Iowa, USA and Degree in Mathematics from Knox College, Illinois, USA.
Working experience & Occupation	: Since 2004, Y. Bhg. Dato' Mohd Ibrahim is the Chairman of Blu Inc Holdings Sdn. Bhd., the largest magazine publications group in Malaysia which publishes in English, Malay and Chinese. He is the Chairman of Second Wind Sdn Bhd, a software solutions provider since 2008. He is also Director of Ikram Education Sdn. Bhd. and Sphere Exhibits Malaysia Sdn. Bhd. since 2012 and 2013 respectively. On 1 July 2014, he became a Director of Kumpulan Ikram Sabah Sdn. Bhd. and was appointed as Deputy Chairman of Rajawali Aerospace Sdn. Bhd. in August 2017. In September 2018, he was also appointed as the Chairman and Director of Protasco Development Sdn. Bhd.
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	: 2/2

BOARD OF DIRECTORS

(cont'd)



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

Date of appointment	: 7 August 2018
Qualification	: She obtained Master in Ophthalmology from University of Malaya in 2017. In 2006, she obtained bachelor's in medicine, Surgery and Arts of Obstetrics. She was awarded Honors in Bachelor in Medical Science from University College Dublin (Ireland) in 2004.
Working experience & Occupation	: She is a specialist in Queen Elizabeth Hospital, Kota Kinabalu, Sabah, Malaysia (Ophthalmology) since December 2016. Prior to that she worked in Shah Alam Hospital, Kuala Lumpur, Malaysia (Ophthalmology) from September 2016 to November 2016, Queen Elizabeth Hospital, Kota Kinabalu, Sabah, Malaysia (Ophthalmology) from September 2015 to September 2016, University Malaya Medical Centre, Kuala Lumpur, Malaysia (Ophthalmology) from December 2014 to August 2015, Queen Elizabeth Hospital, Kota Kinabalu, Sabah, Malaysia (Ophthalmology) November 2010 and November 2014, Klinik Kesihatan Penampang Kota Kinabalu, Sabah, Malaysia (General Practice) April 2009 and November 2010, Sabah Women and Children Hospital Kota Kinabalu Sabah, Malaysia (Obstetric and Gynaecology) and Waterford Regional Hospital, Ireland (Medical and Surgical Internship) from July 2006 to June 2007.
Board Committee belongs	: Nil
Other directorship in public companies and listed corporations	: Nil
Family relationship with director/major shareholder	: Daughter of Y.Bhg. Datuk Lau Koh Sing @ Lau Kok Sing Daughter of Y. Bhg. Datin Lim Fook Len @ Lim Su Chin Sister of Lau Wei Dick @ Dexter Dick Lau Niece 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	: N/A

KEY MANAGEMENT PERSONNEL

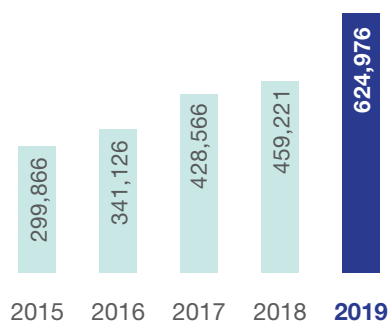
SHIN KOK LEONG

Age	: 49
Gender	: Male
Nationality	: Malaysian
Type of change	: Appointment
Designation	: Chief Financial Officer
Qualification, working experience & occupation	: 1. Association of Chartered Certified Accountants (ACCA), SEGI College (formerly known as Systematic College)
Working experience and occupation	: 2011 - 2019 - Group Financial Accountant at AirAsia Berhad 2004 - 2011 - Commercial Manager at Emerson Network Power Sdn Bhd
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

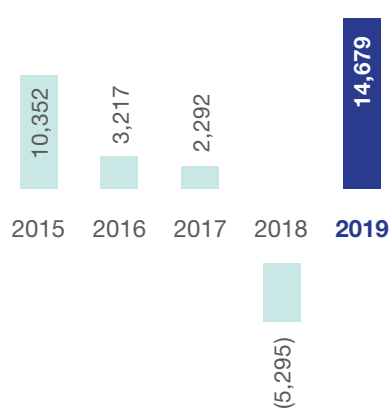
FINANCIAL HIGHLIGHTS

Financial Year Ended ("FYE") 30 June	Proforma Group			Audited	
	2015	2016	2017	Restated	2019
	RM'000	RM'000	RM'000	2018	RM'000
Revenue	299,866	341,126	428,566	459,221	624,976
Profit/(Loss) before tax	10,352	3,217	2,292	(5,295)	14,679
Profit/(Loss) attributable to owners of KTC	7,050	1,852	418	(8,128)	11,163
Shareholders' equity	73,155	89,789	90,126	76,251	106,872

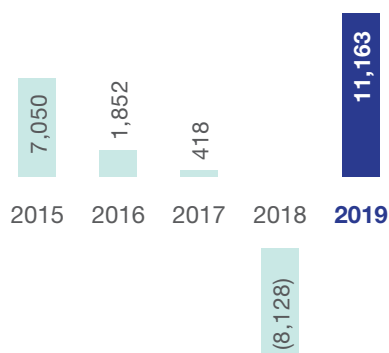
REVENUE (RM'000)



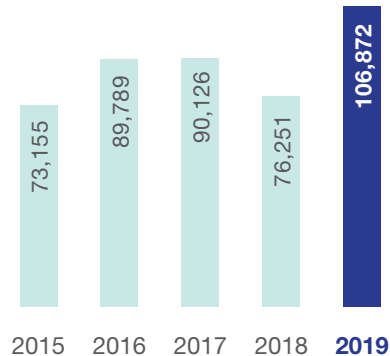
PROFIT/(LOSS) BEFORE TAX (RM'000)



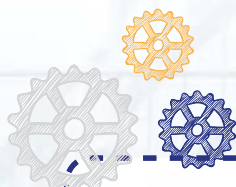
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF KTC (RM'000)



SHAREHOLDERS' EQUITY (RM'000)



MANAGEMENT'S DISCUSSION 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 2019 ("FYE 30 June 2019").



from left to right:

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

Y. Bhg Datuk Deleon Quadra @ Kamal Quadra

MANAGEMENT'S DISCUSSION AND ANALYSIS

(cont'd)

SUMMARY OF BUSINESS AND OPERATIONS

In 2018, we made a simple commitment to turn the Group around and deliver a sustainable growth for our shareholders. Since then, we began to transform the Group through the implementation of several initiatives such as the streamlining of operating costs which had resulted in savings for future growth plans.

To date, the Group provides market access and coverage of over 200 third-party brands of CPG. It involves more than 35 brand owners with 7,609 sales and distribution points covering over 84 districts in East Malaysia specifically Sabah, Sarawak, Labuan as well as Brunei. Our Group's core business is supported by a total of 17 distribution centres with warehousing facilities in East Malaysia and Brunei with a total warehousing capacity of 363,473 sq. ft. A total of 8 of our warehouses are located in Sabah, 4 in Sarawak, 1 in Labuan and 3 in Brunei.

FINANCIAL REVIEW

It has been a significant year in the story of Kim Teck Cheong Consolidated Berhad, with positive steps taken to deliver unprecedented change. The steps undertaken had resulted in the Group recording a tremendous increase in revenue by 36% to RM624.98 million as compared with the previous financial year of RM459.22 million. The increase was mainly contributed from the Group's subsidiaries in Sabah and Sarawak.

Our Sabah operations remains the largest contributor to the Group's topline with RM318.33 million or 51% of the total revenue, in FYE 30 June 2019. This represented an increase of RM30.50 million or 11% as compared to FYE 30 June 2018 which was mainly contributed by the higher sales from milk powder and household products.

Meanwhile, our Sarawak operations contributed RM190.98 million or 31% of the Group's total revenue. This represented an increase of RM73.64 million or 63% from FYE 30 June 2018. This substantial growth in contribution can be attributed to higher sales from beverage, personal care and cosmetic products. Meanwhile, our Labuan and Brunei operations contributed the remaining 18% to the total Group's revenue with RM115.66 million which represented a strong growth of RM61.62 million or 114% as compared to FYE 30 June 2018.

For the year under review, the Group posted a Profit Before Tax ("PBT") of RM14.68 million as compared to a Loss Before Tax of RM5.30 million in the preceding year. The increase of RM19.97 million or 377% can be attributed to several factors such as:

- i. New distributorships that have fast moving inventories and better profit margin
- ii. Review of performance portfolio of the Group's agencies
- iii. Promotion funding by agencies and more sales activations plans by the sales team

As at FYE 30 June 2019, our shareholders' equity is recorded at RM106.87 million, an increase of RM30.62 million or 40% as compared to the previous financial year. The increase was mainly attributable to the net revaluation surplus of RM18.71 million arising from the revaluation of properties undertaken by the Group during the financial year under review.

SEGMENTAL BUSINESS REVIEW

Distribution activities

As our mainstay, the Distribution of CPG remains the biggest contributor to the Group's total revenue. For the reporting period, the Distribution of CPG segment generated RM618.36 million of revenue. This translated to an increase of RM164.57 million from RM453.79 million or 36% as compared to FYE 30 June 2018.

This could be attributed to the new distributorships that was secured by the Group which have more fast-moving inventories and better profit margin. On top of this, the increased demand for products from food and beverage, personal care and cosmetic and household products could also be attributed to the festive seasons. Other than that, the Sugar Tax imposed by the government also led to outlets stocking up on beverage products that further contributed to the increase in revenue.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(cont'd)

Manufacturing activities

The Group's Manufacturing Activities segment also experienced an uptrend as it generated RM1.19 million or 21% higher revenue to RM6.62 million as compared to RM5.43 million last year. This was a result of the successful repositioning of some of our bakery products in the market.

OUTLOOK

In 2018, we underwent a transformation process to rebuild the Group. Our mission, is to become an integrated and refocused business, successful and sustainable with stronger client relationships. From the financial perspective, our business would be more profitable and sustainably cash-generative. This has meant a complete review and improvement of all elements of the business operations including, but not limited to, customer profitability, inventory management, organisational structure, cost efficiencies and future strategy. Bolstered by a company-wide purpose to simplify, strengthen and succeed, we have made significant progress in remedying many of the basics which has resulted in the delivery of better outcomes.

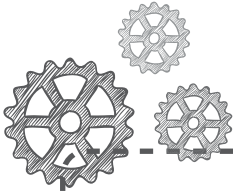
We continue to be bullish of our performance in the coming year as consumer confidence level show signs of stabilising based on Nielsen's latest findings in collaboration with The Conference Board Global Consumer Confidence Survey. Malaysia was ranked sixth globally on the Consumer Confidence Index ("CCI") with an index score of 115 points in the first quarter of 2019, in line with last quarter's score of 118 points which indicates optimism.

In addition to this, the Group continues to focus on growth through strategic sign ups of new agencies and brands and growing our core businesses through product differentiation all while continuing to focus on operating efficiencies. At the same time, we also continue to invest in people, ensuring we hire the best new talent while empowering our people to grow and contribute throughout their career with the right support and training.

The continued acquisition of new agencies and brands, accompanied by the stabilising consumer sentiment, are expected to result in a sustained profitable growth for the Group in 2020 and beyond.



SUSTAINABILITY STATEMENT



INTRODUCTION

Kim Teck Cheong Consolidated Berhad, hereafter (“KTCCO”) or (“the Group”) is cognizant of their responsibility as a corporate citizen. As a corporate citizen, KTCCO not only has a responsibility to its customers but also to other stakeholders alike. In managing all the nine (9) stakeholders, the Group is taking the initiative to embed the core values of sustainability (i.e. economic, environment and social responsibility) into the Group’s culture and values. These values will be enshrined in the policies and procedures across the organisation.

As a corporate citizen of the East Malaysia or the Borneo Island, KTCCO aims to stand tall and strong with the local community fabric. For such a purpose, KTCCO will carry out a sustainability assessment in order to implement sustainable principles.

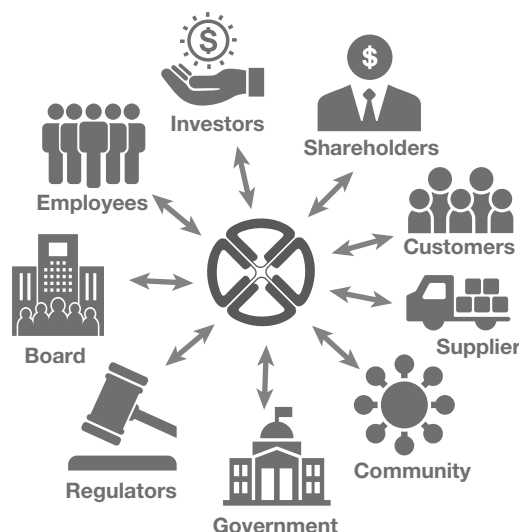
ESTABLISHING A COMMITTEE

To get matters moving, the first step taken was to appoint a Sustainable Committee from the Management team. This is to ensure that there is a dedicated team comprising of representatives from the functional departments, to deal with sustainability matters. The team are dedicated to understand how the sustainability matters are identified, its impact on the various stakeholders and what sustainable initiatives can be undertaken to keep these matters in mind.

The team is tasked at setting the Key Performance Indicators in place, measuring the efficacy and effectiveness of the actions undertaken and at appropriate juncture, keep the Board of Directors (“the Board”) apprised of matters related to Sustainability.

The team is responsible for rolling out the initiatives across functional departments and where the situation required, across entities/bodies/organisation. This team oversees the day-to-day controls and activities. The team shall report periodically to the Board.

STAKEHOLDER ASSESSMENT



Using Bursa’s Stakeholder prioritisation guide, KTCCO was able to further understand the influence and dependence of each of these groups of stakeholders on the organisation and their activities.

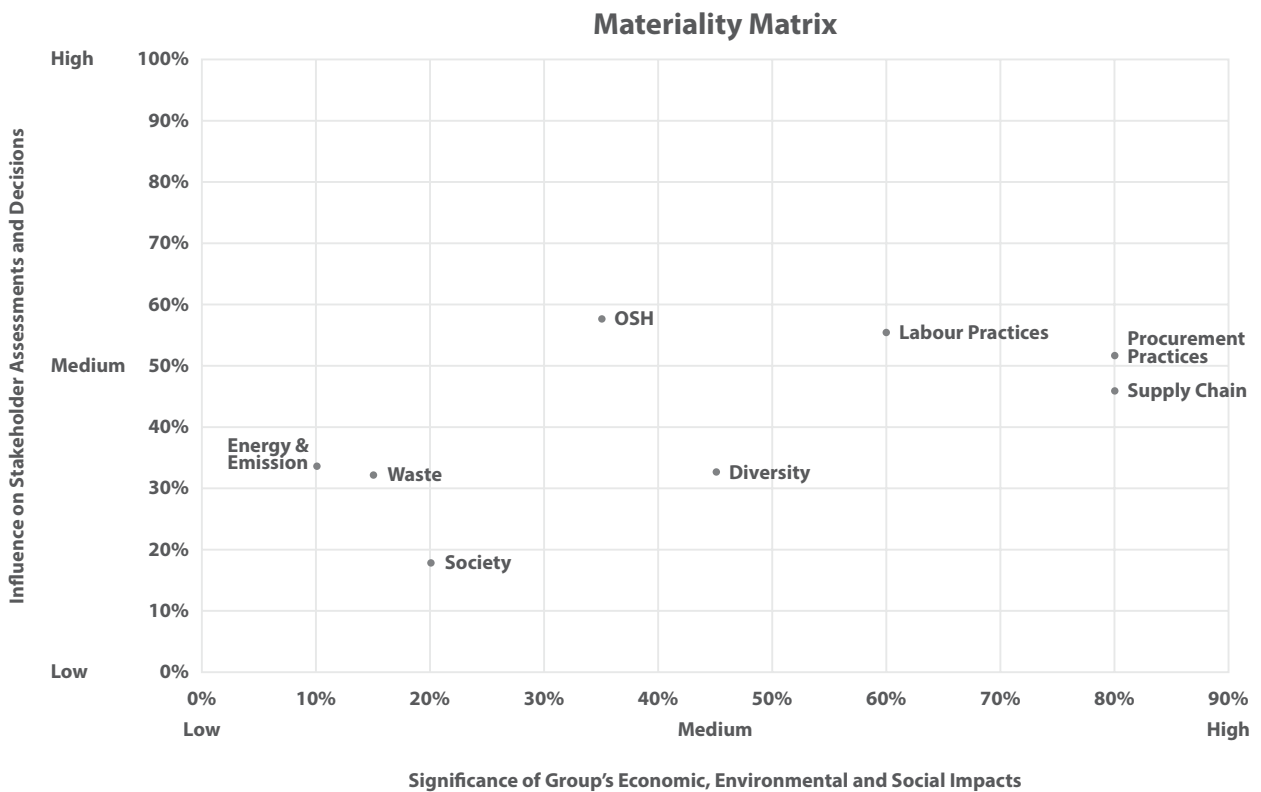
SUSTAINABILITY STATEMENT

(cont'd)

MATERIALITY ASSESSMENT

KTCCO falls under the Industry Sector as they are in the Consumer Packaged Goods (“CPG”) Industry. Following the evaluation of the Stakeholders priority, a materiality assessment is done to identify their interest and dependence on the issue.

There are three (3) primary pillars of the Materiality Matters, i.e. Economic, Environment and Social (“EES”). Accordingly, KTCCO listed out sustainability initiatives undertaken and to be undertaken going forward. The paragraphs below detail out the specific activities.



SUSTAINABILITY ACTIVITIES

ECONOMIC

Procurement



KTCCO is committed to increase the standards of procurement and employment in a manner that contributes to youth and community development. KTCCO is working with local colleges and universities to put it place an Internship Program designed to equip graduating youth with practical industrial training under a mentor in their companies.

SUSTAINABILITY STATEMENT

(cont'd)

Not only does this contribute to having better equipped graduates for the workforce, this will also have the following benefits for KTCCO:

1. Training an effective and efficient young work force.
2. The new interns will be familiar with the environment at KTCCO and depending on their merits and work performed, can be absorbed into the KTCCO employee body. These interns will assimilate better with culture of the group as they are transitioned to full-time and permanent staff.
3. Interns with proper training can also provide as well-equipped back-up. Any sudden resignations or absences would make less impact on day-to-day operations as the interns will be capable of picking up some of the slack.

ENVIRONMENT

Waste & Affluence



- (1) Waste that has been disposed off incorrectly is a hazard to the environment. This can be realised in two parts: the decomposition of waste has negative effects on the environment and materials thrown away can instead be recycled to reduce strain on the environment.

KTCCO is committed to doing their part in reducing their contribution of waste into the environment. The plans to accomplish this are by:

- i) Implementation of the 3 bin system in all offices.
- ii) A 20% increase in the recycling of pallets and paper boxes.

- (2) As an organisation based in CPG sector, KTCCO deals with the distribution of massive amount of consumables with an expiry date. KTCCO is working with their agencies to get these products out to food banks for donations.

Energy

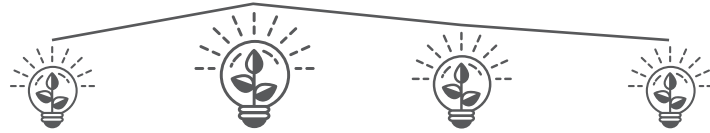
Electricity Consumption



Over the period of 12 months, KTCCO is consciously taking steps to reduce the consumption of electricity by 2% per annum. Based on this, over a four (4) quarter period from July 2018 to June 2019, we can see a decline of electricity charges and hence, the electricity consumption. The Group will still commit to reduce electrical energy consumption in a more conscious manner.

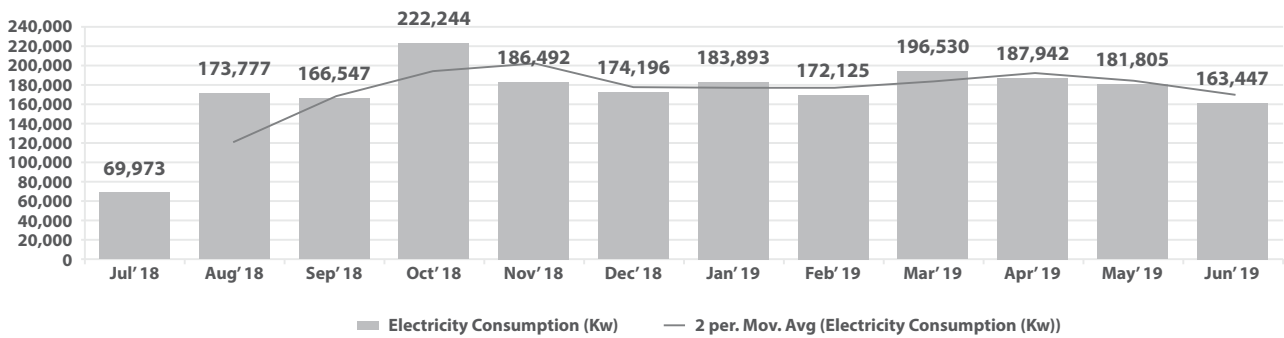
SUSTAINABILITY STATEMENT

(cont'd)



	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Consumption (KwH)	492k	584k	556k	535k
Electricity Cost (RM)	194k	231k	220k	211k
Consumption (KwH)/headcount	170	199	193	182

Group Monthly Electricity Consumption (Kw)



SOCIAL

Fair Labour Practices



The backbone of the success of any organisation is the human capital factor. Any organisation aiming for sustainable version of long-term success will have to first take care of the human capital factor. This is one of KTCCO's strongest convictions. In light of these principles, there are:

1. Yearly employee reward and recognition to ensure that employees know that their contributions are being noticed and rewarded.
2. No discrimination based on gender, ethnicity, religion or sexuality. By 2025, all of the policies under KTCCO will be gender neutral. Unless prescribed by law, all departments will work towards a higher gender balance and diversity.

At Management level, KTCCO aims to provide equal opportunity to both genders in pursuing their career path. Following the recommendation by MCG2017 for large companies to maintain at least 30% of female on Board, KTCCO aims to groom more capable females to take up higher corporate positions.

In terms of functional mix, KTCCO looks at gender in a practical manner and provide equal opportunity for all. Although there are still rooms for improvement, the work opportunity in KTCCO is fair.



30 persons
(41%)



43 persons
(59%)

SUSTAINABILITY STATEMENT

(cont'd)

	Commercial Development	Commercial Logistic	Commercial Operations	Commercial Solution	Treasury and Admin
	10 persons	11 persons	0	1 person	4 persons
	35 persons	2 persons	1 person	0	4 persons

Occupational Safety & Health



KTCCO is actively keeping a measurement of number of health and safety trainings for employees. Among the critical actions taken by Management is the constant training and retaining of Logistic personnel. This is evidenced via the investment in trainings. In the next three (3) years, commencing FYE2019, we are committed to prevent any repetition of accidents/incidents, aiming to keep the number of accidents and incidents report as zero (0).

	FYE 2018				FYE 2019			
	Qtr1	Qtr2	Qtr3	Qtr4	Qtr1	Qtr2	Qtr3	Qtr4
Minor	0	0	1	0	0	1	0	0
Major	0	0	0	0	0	0	0	0
Death	0	0	0	0	0	0	0	0

	No. of courses	No. of hours (hrs)	No. of participants (pax)	Cost incurred (RM)	Ave. cost /participant (RM)
2019	6	22	94	8,480.00	90.21
2018	3	7	63	10,000.00	158.73

Society



KTCCO is actively seeking opportunities for development in area of education, health awareness and human capital development. To this end, we will:

1. Participate annually in Sabah Career Fair to conduct recruitment in the community.
2. Collaborate with agencies to increase recruitment opportunities.
3. Participate in blood donation drive.

SUSTAINABILITY STATEMENT

(cont'd)

Food Bank



KTCCO understands that in the industry of CPG, KTCCO is dealing with a lot of food based items. To this extent, it may be perceived that any unsold items or on hand inventories can actually be distributed to the needy. However, as KTCCO is a distributor, KTCCO needs to be mindful of the views of the Agencies. A simple kind gesture may not be agreeable to the image and branding of the Agencies under KTCCO. Thus, this social responsibility may require a more in depth study with the agencies.

CONCLUSION

The above is a testament to our commitment to betterment of the profit, people and planet.

It does not escape the notice of KTCCO that to attain long term profitability and growth, it is not just about those who work with us and for us, but also the environment and the community. KTCCO is committed to adopt these principles of awareness and sustainability into our company values.

CORPORATE SUSTAINABILITY REPORT



On 20th October 2018, Kim Teck Cheong Consolidated Berhad (“KTC” or “the Company”) organised a beach cleaning initiative at Taman Awam Teluk Likas, Sabah.

A total of 198 employees joined the initiative which aimed to raise awareness regarding the impact of litter on our beaches and surrounding aquatic habitats. It is hoped that by exposing our employees to positive anti-litter messages, they will become more conscious of the impact of their actions and consequently change their and by extension, their acquaintances’, behaviour regarding littering.



The day began with a breakfast spread of our own baked goods, an assortment of Creamos buns as well as an assortment of frozen foods by Orié accompanied by a cup of coffee. The breakfast session presented an opportunity for all employees across the board to network with each other. Then, the initiative was officiated by Yang Berbahagia Datuk Deleon Quadra @ Kamal Quadra and Yang Berbahagia Datuk Lau Koh Sing @ Lau Kok Sing.

After that, a safety briefing was conducted to advise participants on safety precautions. Following that, the beach cleaning activity commenced and lasted one and a half hours. Upon completion of the activity, we had accumulated trash weighing approximately 43.32 kg which were then disposed off at the appropriate trash disposal facility. As the event drew to a close, we were treated to a few words of thank you by Yang Berbahagia Datuk Deleon Quadra @ Kamal Quadra and Yang Berbahagia Datuk Lau Koh Sing @ Lau Kok Sing and a photo session to commemorate the event.

CORPORATE GOVERNANCE **OVERVIEW 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 Fellow 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 **OVERVIEW 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 **OVERVIEW STATEMENT**

(cont'd)

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 eight (8) Directors i.e. one (1) Independent Non-Executive Chairman, Three (3) Independent Non-Executive Directors, three (3) Non-Independent Executive Directors and One (1) Non-Independent Non-Executive Director.

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.

The Board is of the view that the existing composition of the Board enables 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 OVERVIEW 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 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
Y. Bhg. Dato' Mohd Ibrahim Bin Mohd Nor (Appointed on 3 December 2018)	(Chairman)	1/1
Ms. Phang Sze Fui (Appointed on 28 September 2018)	(Member)	1/1
Madam Wong Wen Miin (Appointed on 26 October 2018)	(Member)	1/1

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

- 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;
- Assessed the independence of all three (3) Independent Directors;
- Reviewed the performance of retiring Directors and recommended them to the Board for re-election at the forthcoming AGM;
- 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;
- 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:-

- 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.
- 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.
- 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.
- The Board and Board Committees had contributed positively to the Company and its subsidiaries and were operating in an effective manner.
- The Board Chairman had performed in an excellent manner and contributed to the Board.
- The performances of the Board Committees were found to be effective.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

(cont'd)

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
Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing	August 2018	Briefing on Sustainability Reporting by the Company Secretary
Y. Bhg. Dato' Mohd Ibrahim Bin Mohd Nor	September 2019	New Business Directors 2025
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	August 2018	Briefing on Sustainability Reporting by the Company Secretary
Mr. Lim Hui Kiong	August 2018	Briefing on Sustainability Reporting by the Company Secretary
Ms. Phang Sze Fui	August 2018	GST to SST - The New SST Mechanism and Transitional Issues
	October 2018	Listing on The Leap Market Bursa Malaysia
	January 2019	Mandatory Accreditation Programme for Directors of Public Listed Companies
Madam Wong Wen Miin	January 2019	Mandatory Accreditation Programme for Directors of Public Listed Companies

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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 meeting was carried out with attendance as follows:

Name of Director	Designation	No. of Meetings Attended
Madam Wong Wen Miin (<i>Appointed on 26 October 2018</i>)	(Chairman)	1/1
Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing	(Member)	1/1
Ms. Phang Sze Fui (<i>Appointed on 28 September 2018</i>)	(Member)	1/1

The responsibilities of Remuneration Committee are as follows:-

- Reviewed and assessed the performance and the remuneration package of the Executive Directors and key Senior Management;
- Reviewed and assessed the Directors' fees and benefits payable for the financial year ended 2019;
- Reviewed and updated its Term of Reference;
- Reviewed the Board Remuneration Policy; and
- 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 details of individual Directors' remuneration are as follows:-

Group and Company Level

Name of Directors	Fees/ Salaries and Other Emoluments (RM'000)	Bonus (RM'000)	EPF, SOCSSO and EIS (RM'000)	Benefits in Kind (RM'000)	Total (RM'000)
Non-Executive Directors					
Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra	53	-	*	-	53
Y. Bhg. Datin Lim Fook Len @ Lim Su Chin	50	-	-	-	50
Ms. Phang Sze Fui (<i>Appointed on 28 September 2018</i>)	51	-	*	-	51
Madam Wong Wen Miin (<i>Appointed on 26 October 2018</i>)	38	-	*	-	38
Y. Bhg. Dato' Mohd Ibrahim Bin Mohd Nor (<i>Appointed on 3 December 2018</i>)	32	-	*	-	32

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

(cont'd)

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

III. REMUNERATION *cont'd*

Remuneration of Directors *cont'd*

Name of Directors	Fees/ Salaries and Other Emoluments (RM'000)	Bonus (RM'000)	EPF, SOCSSO and EIS (RM'000)	Benefits in Kind (RM'000)	Total (RM'000)
Non-Executive Directors					
Mr. Tan Jwee Peng <i>(Retired on 30 November 2018 and not seek for re-appointment)</i>	24	-	*	-	24
Y.A.M. Tengku Datin Paduka Setia Zatashah Binti Sultan Sharafuddin Idris Shah <i>(Resigned on 26 October 2018)</i>	15	-	*	-	15
Wee Hock Kee <i>(Resigned on 4 September 2018)</i>	14	-	*	-	14
Executive Directors					
Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing	1,202	-	1	-	1,203
Mr. Lau Wei Dick @ Dexter Dick Lau	945	-	75	-	1,120
Mr. Lim Hui Kiong	284	-	23	-	307

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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

III. REMUNERATION *cont'd*

Remuneration of Senior Management

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

Range of Remuneration	Number of Senior Management
RM250,000 to RM300,000	1

(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.)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit and Risk Management Committee

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

Ms. Phang Sze Fui (<i>Appointed on 28 September 2018</i>)	(Chairman)
Madam Wong Wen Miin (<i>Appointed on 26 October 2018</i>)	(Member)
Y. Bhg. Dato' Mohd Ibrahim Bin Mohd Nor (<i>Appointed on 3 December 2018</i>)	(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 2019, the Audit and Risk Management Committee had conducted private sessions with the External Auditors without the presence of the Executive Directors and Management.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

(cont'd)

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

I. Audit and Risk Management Committee *cont'd*

Details of the audit and non-audit fees paid/payable for the financial year ended 30 June 2019 are as follows:-

	Group (RM)	Company (RM)
Statutory audit fees paid/payable	217,125	35,000
Non-audit fees paid/payable	93,000	93,000

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.

Internal Audit function

The Board has established an Internal Audit function and appointed MAC & ASSOCIATES PLT as the Outsourced Internal Auditor. Functionally, the Internal Auditor reports to the Audit and Risk Management Committee directly and MAC & ASSOCIATES PLT 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.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

(cont'd)

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

I. Communication with Stakeholders *cont'd*

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.

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 21 October 2019.

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

AUDIT AND RISK COMMITTEE REPORT

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 2019. 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 a combined Audit Committee supports and assumes the oversight function in governance, risk management and internal control hence 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 ARMC 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 internal control system 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 ARMC presents the Committee’s findings after their deliberation to the Board. The ARMC would also 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 Members	Designation	No. of Meetings Attended
Ms. Phang Sze Fui <i>(Appointed on 28 September 2018)</i>	(Chairman)	6/6
Madam Wong Wen Miin <i>(Appointed on 26 October 2018)</i>	(Member)	5/5
Y. Bhg. Dato’ Mohd Ibrahim Bin Mohd Nor <i>(Appointed on 3 December 2018)</i>	(Member)	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 and to provide information regarding the Group’s Risk Management activities. The 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 FYE 2019.

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 Securities.

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.
- 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 FYE 2019 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 Securities.

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).

Others

- Review the quality of the internal audit function.
- Reviewed the Incident Reports by the Chief Financial Officer on a 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 Internal Audit reports independently to the ARMC and is guided by a formalized Internal Audit Charter.

The main responsibility of the internal audit 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 the International Professional Practices Framework (IPPF) Issued by The Institute of Internal Auditors.

During the FYE 30 June 2019, the ARMC reviewed the following reports as presented by the Internal Auditor MAC & ASSOCIATES PLT:

(a) Internal Audit Report (Sales and Purchasing function)

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 2019 audit plan both financial and non-financial risk and control areas.

The Internal Auditors work closely with the Group's Finance personnel to strengthen the assurance in KTC group.

For the FYE 30 June 2019, the total internal audit fees incurred for the outsourced internal audit function is RM104,740.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

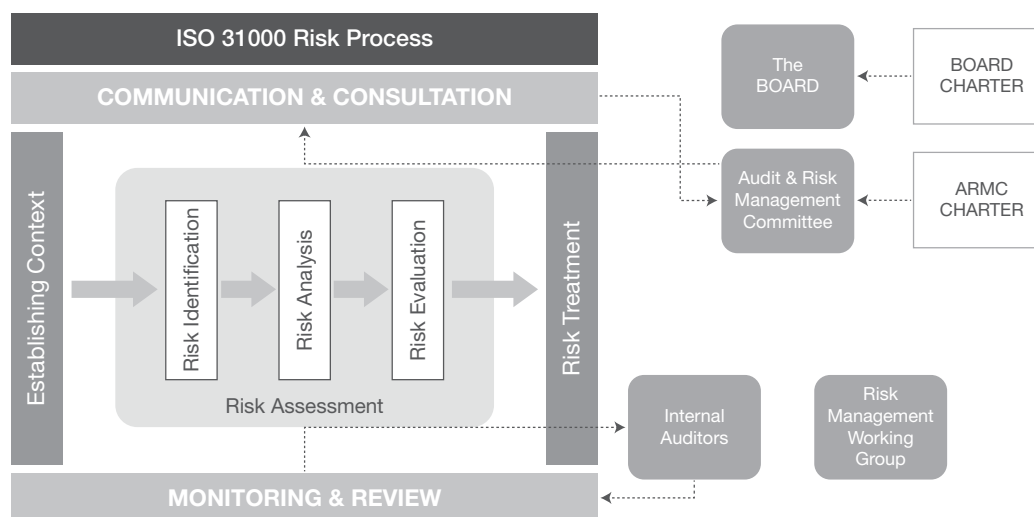
The Board of Directors (“The Board”) is pleased to present the Statement of Risk and Internal Control for financial year ended 30 June 2019. This Statement has been prepared in accordance with the “Statement on Risk Management and Internal Control – Guideline for Directors of Public Listed Issuers” issued by Bursa Securities and further guided by the Malaysian Code on Corporate Governance 2017 (“MCCG 2017”). This report will include the nature and scope of the risk management framework and internal control system of the Group during the financial year under review.

RESPONSIBILITY OF THE BOARD

The Board firmly believes in the commitment to maintain an effective system of internal control and a robust risk management framework to safeguard the interests of all stakeholders and work towards the achievement of the Group’s goals and objectives. Such approach must be top down driven. This is to ensure that there is clear direction and strong leadership. Thus, apart from establishing a firm foundation, the Group shall consistently review the efficiency and integrity of the internal control system and the risk management framework. This is to ensure the key risk issues are managed with the intended system of internal controls.

RISK MANAGEMENT FRAMEWORK

The Board has adopted a new risk management process. The new risk management process is the ISO 31000: Risk Management. The decision was made to depart from the Committee of Sponsoring Organisation of the Treadway Commission (“COSO”) framework as the Group will now be directly involved in the risk assessment process. The ISO 31000 provides an avenue for companies like KTC to better appreciate and comprehend the risk assessment process.



The Board has delegated the responsibility of reviewing the risk management and internal control system to the Audit and Risk Management Committee (“ARMC”). The ARMC will receive all risk and internal control related reports, among others. After deliberation, it will then be presented to the Board for approval.

The review of the internal control system has been outsourced to a service provider. In terms of risk management, key risk owners in the Group are responsible for identifying, analysing and evaluating the risk. The risk report and the framework are subject to an independent review by the internal auditors. The key risk owners form a team to assist the ARMC to discharge this responsibility of risk management.

The team is known as Risk Management Working Group. It comprises of key personnel from all departments. The group is guided by the Risk Management Working Group, which, to a certain extent mirrors the ARMC charter. The group has undergone ISO 31000 based Risk Training Process. The training enables the members of the Group to conduct a risk assessment process on their functional departments and capture these assessments on the Risk Scorecard. These are evaluated by the Working Group in order to produce a Risk Report.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

RISK MANAGEMENT FRAMEWORK *cont'd*

The review of the risk issues and update of the risk scorecard will be a continuous process. This is to provide a sustained and relevant risk scorecard of all the risks from the various functional departments and processes.

The Working Group will report to the ARMC no less than four (“4”) times a year, every quarter. The ARMC has an open communication channel with the Working Groups to ensure if any risks fall under the Risk Appetite, these risks are to be made known to ARMC for further deliberation on how to deal with them.

The Internal Auditors use the Risk Report to conduct their audit which is then risk-based in nature. Furthermore, Internal Auditors play a crucial role in the review of the Risk Management Framework to ensure that the Risk Assessment Process is robust enough to highlight all the risks.

Throughout the financial year, the activities conducted by the internal auditors and that were reported to the ARMC are as follows:

INTERNAL AUDIT ACTIVITIES

Date	Activities
16 August 2018; 29 November 2018	Presented the Risk Management Reporting to the ARMC.
16 August 2018; 29 November 2018	Updated the ARMC on the Risk Profiling.
16 August 2018; 29 November 2018; 24 May 2019	Presented Internal Audit Report to the ARMC for approval and deliberation.
23 October 2018	Presented the SORMIC to the ARMC for approval and deliberation.
29 November 2018; 29 January 2019	Presented Internal Audit Plan to the ARMC for approval and deliberation.

ASSURANCE STATEMENT BY KEY MANAGEMENT TEAM

The Executive Director primarily responsible for the operations and financial management of the Group has provided assurance to the Board, to the best of his knowledge and belief, that the Group’s risk management and internal control system is operating adequately and effectively in all material aspects, to meet the Group’s objectives during the financial year under review until the date of this Statement.

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 2019. 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 21 October 2019.

CONCLUSION

The Risk Management framework comprises of many components as illustrated in the diagram above. As the Group is now managing the risks on its owners, the Group is confident that they will be able to adequately discharge their responsibilities.

The Internal Control System is functioning adequately as per its intended design at that given time. Nevertheless, the internal control system would not be able to prevent any fraud that exists when the element of collusion exists. The primary purpose of the internal control systems is to ensure that risks are mitigated without resulting in any interruption of business activities.

Date: 21 October 2019

ADDITIONAL INFORMATION

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

1. 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 2019 amounted to RM93,000 (2018: RM76,000) for review of interim financial information, review of statement of risk management and internal control and tax compliance services.

2. REVALUATION POLICY ON LANDED PROPERTIES

Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the leasehold land and buildings at the reporting date.

3. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and/or its subsidiaries during the financial year ended 30 June 2019 or entered into since the end of the previous financial year, which involves the interest of Directors and/or major shareholders.

4. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There were no options, warrants or convertible securities issued during the financial year ended 30 June 2019.

5. 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 2019.

DIRECTORS' RESPONSIBILITY 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 approved 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 2019, 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.

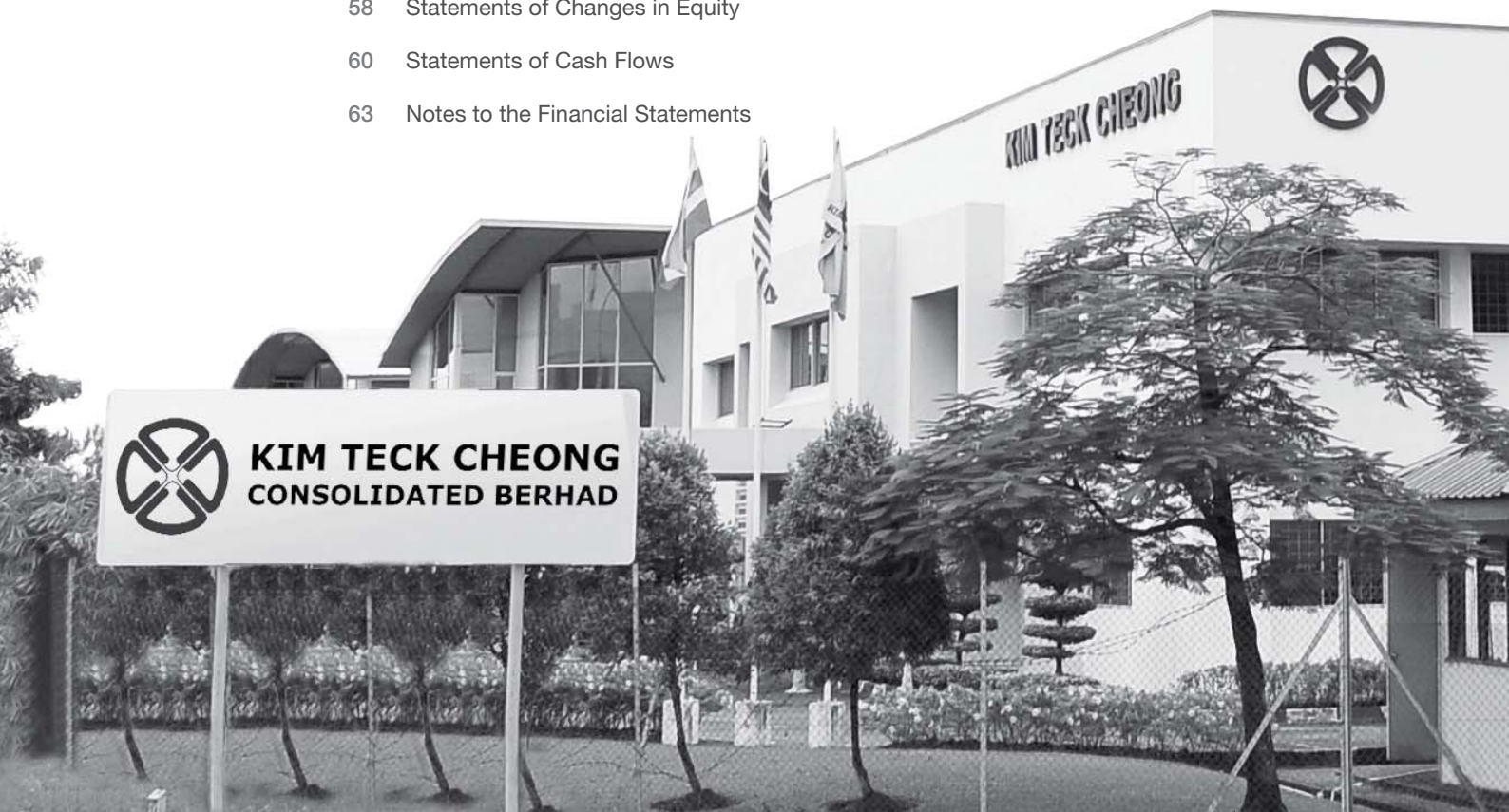
COMPLIANCE STATEMENT

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 21 October 2019.



FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are set out in Note 15 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year ended 30 June 2019.

RESULTS

	Group RM	Company RM
Profit/(Loss) for the financial year	11,994,601	(291,840)

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in the financial statements.

DIVIDENDS

No dividend has been paid, declared or proposed since the end of the previous financial year. The Directors do not recommend any dividends for the current financial year ended 30 June 2019.

DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are:

Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra
 Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing
 Y. Bhg. Datin Lim Fook Len @ Lim Su Chin
 Lau Wei Dick @ Dexter Dick Lau
 Lim Hui Kiong
 Lindfay Laura Lau (Appointed on 7 August 2018)
 Y. Bhg. Dato' Mohd Ibrahim Bin Mohd Nor (Appointed on 3 December 2018)
 Phang Sze Fui (Appointed on 28 September 2018)
 Wong Wen Miin (Appointed on 26 October 2018)
 Wee Hock Kee (Resigned on 4 September 2018)
 Tengku Datin Paduka Setia Zatashah Binti Sultan Sharafuddin Idris Shah (Resigned on 26 October 2018)
 Tan Jwee Peng (Retired on 30 November 2018)

DIRECTORS' REPORT

(cont'd)

DIRECTORS cont'd

Pursuant to Section 253 of the Companies Act, 2016, the Directors of subsidiary companies during the financial year and up to date of this report are as follows:

Benedick Vicpaul Lau
 Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing
 Y. Bhg. Datin Lim Fook Len @ Lim Su Chin
 Lau Wei Dick @ Dexter Dick Lau
 Lim Hui Kiong
 Lindfay Laura Lau
 Phang Weei Horng
 Sharin Bin Alimin
 Woo Chung Heng

DIRECTORS' INTERESTS IN SHARES

The holdings and deemed holdings in the ordinary shares and redeemable convertible preference shares ("RCPS") of the Company and its related corporations (other than wholly-owned subsidiaries) of those who were Directors at the end of the financial year, as recorded in the Register of Directors' Shareholding kept under Section 59 of the Companies Act, 2016 are as follows:

Interest in the Company

	← Number of ordinary shares →			
	At 1.7.2018	Bought	Sold	At 30.6.2019
Indirect interest:				
Y. Bhg. 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

	← Number of RCPS →			
	At 1.7.2018	Bought	Sold	At 30.6.2019
Indirect interest:				
Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing *	24,001,858	-	-	24,001,858
Lau Wei Dick @ Dexter Dick Lau *	24,001,858	-	-	24,001,858
Lim Hui Kiong *	24,001,858	-	-	24,001,858

DIRECTORS' REPORT

(cont'd)

DIRECTORS' INTERESTS IN SHARES *cont'd*

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

	← Number of ordinary shares →			At 30.6.2019
	At 1.7.2018	Bought	Sold	
Direct interest:				
Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing	31,426,920	-	-	31,426,920
Lim Hui Kiong	8,109,426	-	-	8,109,426
Indirect interest:				
Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing *	119,690,574	-	-	119,690,574
Lau Wei Dick @ Dexter Dick Lau *	119,690,574	-	-	119,690,574

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

	← Number of ordinary shares →			At 30.6.2019
	At 1.7.2018	Bought	Sold	
Direct interest:				
Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing	75,231	-	-	75,231
Y. Bhg. Datin Lim Fook Len @ Lim Su Chin	1,036	-	-	1,036
Lau Wei Dick @ Dexter Dick Lau	43,056	-	-	43,056
Linfay Laura Lau	185	-	-	185

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

By virtue of their interests in the ordinary shares and RCPS of the Company and pursuant to Section 8 of the Companies Act, 2016 in Malaysia, Y. Bhg. 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 and RCPS 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 nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as disclosed in the financial statements or the fixed salary of a full-time employee of the Company) 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, except as disclosed in Note 28 to the financial statements.

There were no arrangements during and at the end of the financial year, which had the object of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

DIRECTORS' REPORT

(cont'd)

DIRECTORS' REMUNERATION

The remuneration paid to or receivable by the Directors of the Group and Company during the financial year is amounted to RM2,816,567 and RM2,804,567 respectively.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains a corporate liability insurance for the Directors and officers of the Group throughout the financial year, which provides appropriate insurance cover for the Directors and officers of the Group. The amount of insurance premium paid by the Company for the financial year ended 30 June 2019 is amounted to RM14,547.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 15 to the financial statements.

ISSUES OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- (i) all known bad debts had been written off and adequate allowance had been made for doubtful debts; and
- (ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

- (i) which would render the amount written off for bad debts, or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (ii) which would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- (iii) 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; or
- (iv) not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements of the Group and of the Company misleading.

As at the date of this report, there does not exist:

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person except as disclosed in the financial statements; or
- (ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

DIRECTORS' REPORT

(cont'd)

OTHER STATUTORY INFORMATION *cont'd*

No contingent liability or other liability of the Group and 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, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 June 2019 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

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.

AUDITORS

The auditors, Messrs PKF, have indicated their willingness to continue in office.

During the financial year, the total amount of fees paid to or receivable by the auditors as remuneration for their services as auditors of the Group and the Company are amounted to RM264,382 and RM83,004 respectively.

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

Y. BHG. DATUK LAU KOH SING @ LAU KOK SING
Director

Kota Kinabalu

Dated 21 October 2019

LAU WEI DICK @ DEXTER DICK LAU
Director

STATEMENT BY **DIRECTORS** PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the accompanying financial statements set out on pages 56 to 135 are drawn up in accordance with 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 2019 and of their financial performance and cash flows for the financial year ended on that date.

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

Y. BHG. DATUK LAU KOH SING @ LAU KOK SING
Director

LAU WEI DICK @ DEXTER DICK LAU
Director

Kota Kinabalu

Dated 21 October 2019

STATUTORY **DECLARATION** PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, LAU WEI DICK @ DEXTER DICK LAU, being the Director 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 56 to 135 are in my opinion 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.

Subscribed and solemnly declared by)
the abovenamed LAU WEI DICK @ DEXTER)
DICK LAU at Kota Kinabalu in the state of Sabah)
on 21 October 2019)

LAU WEI DICK @ DEXTER DICK LAU

Before me,

GEORGE D. B. ALUDAH, J.P.
ADVOCATE, Roll No. 306
COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KIM TECK CHEONG CONSOLIDATED BERHAD
(Co. No. 1113927 - H) (Incorporated 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 2019 of the Group and of the Company, and the Statements of Profit or Loss and Other 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 56 to 135.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KIM TECK CHEONG CONSOLIDATED BERHAD

(Co. No. 1113927 - H) (Incorporated in Malaysia)

(cont'd)

Key Audit Matters *cont'd*

We have determined the matters described below to be the key audit matters to be communicated in our report.

Area of focus	How our audit addressed the key audit matter
<p>Company</p> <p>Impairment assessment of investments in subsidiary companies</p> <p>There is indication of impairment of investments in certain subsidiary companies of the Company, namely, Kim Teck Cheong Brands Sdn. Bhd., Kim Teck Cheong Distribution Sdn. Bhd., Kim Teck Cheong (Tawau) Sdn. Bhd. and Popular Trading (Borneo) Corporation Sdn. Bhd. with a total carrying amount of RM27,676,217. Significant judgement arise in determining the recoverable amount of the said investments in subsidiary companies which is based on value-in-use and involves exercise of significant judgement on the discount rates applied and the assumptions supporting the underlying cash flow projections which include future sales and gross profit margin.</p>	<p>Our audit procedures focus on evaluating the cash flow projections and the Company's projection procedures which included, among others:</p> <ul style="list-style-type: none"> • comparing the Company'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 stress test and sensitivity analysis around the key inputs that are expected to be most sensitive to the recoverable amount.
<p>Group</p> <p>Impairment assessment of goodwill</p> <p>As per noted in Note 16 to the financial statements, the Group has significant balances of goodwill. In accordance with paragraph 10 of MFRS 136 <i>Impairment of Assets</i>, an intangible asset with an indefinite useful life is required to be tested for impairment annually by comparing its carrying amount with its recoverable amount, irrespective of whether there is any indication that it may be impaired.</p> <p>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.</p>	<p>Our audit procedures focus on evaluating the cash flow projections and the Group's projection procedures which included, among others:</p> <ul style="list-style-type: none"> • 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 stress test and 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

(Co. No. 1113927 - H) (Incorporated in Malaysia)

(cont'd)

Key Audit Matters *cont'd*

Area of focus	How our audit addressed the key audit matter
Group	
Existence and valuation of inventories	
<p>The valuation of the Group's inventories as per noted in Note 4(j) to the financial statements is stated at the lower of cost or net realisable value. The assessment of slow moving inventories is mainly based on Directors' estimates.</p> <p>We focused on the existence and valuation of inventories due to the significance of the value of inventories amounted to RM111,616,627 which represents 30% of the Group's total assets and the multiple locations in which the inventories are located.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> • attending year end physical inventory count to observe physical existence and condition of the inventories during the count; • reviewing inventories ageing analysis, and assessing the right to return of expired inventories and adequacy of allowance for slow moving inventories by the management; and • reviewing selling price of the inventories to invoices issued 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 on selected inventory items.
Valuation of receivables	
<p>We focused on this area as per noted in Note 20 to the financial statements due to the significance of the carrying amount of trade receivables amounted to RM117,511,848 which represents 32% of the Group's total assets and the Group is exposed to major credit risk especially those arising from trade receivables of its subsidiaries. Furthermore, the adoption of MFRS 9 Financial Instruments requires expected credit losses to be accounted for trade receivables, which are subject to significant estimation uncertainties in analysing historical bad debts, customer creditworthiness and customer payment terms.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> • understanding of the Group's control over the receivable collection process and significant credit exposures which were ignorantly 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; • reviewing subsequent receipts, customer correspondence, and considering level of activity with the customer and management explanation on recoverability with significant past due balances; • assessing the basis of computation of provision of expected credit losses by the management and reasonableness of the assumptions and input data used; • reviewing the ageing analysis of receivables and testing the reliability thereof; • making enquiries of management regarding the action plans to recover overdue amounts; and • evaluating the reasonableness and adequacy of the allowance for impairment recognised for identified exposures.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KIM TECK CHEONG CONSOLIDATED BERHAD

(Co. No. 1113927 - H) (Incorporated 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.

Responsibilities of the Directors 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 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 control as the Directors determine is 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.

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:

- (i) 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.
- (ii) 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.
- (iii) 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

(Co. No. 1113927 - H) (Incorporated in Malaysia)

(cont'd)

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

- (iv) 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.
- (v) 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.
- (vi) 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 company of which we have not acted as auditors, is disclosed in Note 15 to the financial statements.

OTHER MATTER

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 content of this report. The financial statements of the Company as at 30 June 2018, were audited by another auditor whose report dated 29 October 2018, expressed an unqualified opinion on these statements.

PKF
AF 0911
CHARTERED ACCOUNTANTS

Kota Kinabalu

Dated 21 October 2019

CHAU MAN KIT
02525/03/2020 J
CHARTERED ACCOUNTANT

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	Group		Company	
		2019 RM	Restated 2018 RM	2019 RM	2018 RM
Revenue	5	624,976,482	459,221,016	6,323,758	4,548,666
Cost of sales		(549,434,282)	(405,206,012)	-	-
Gross profit		75,542,200	54,015,004	6,323,758	4,548,666
Other operating income	6	4,623,111	7,788,112	1,223,072	185,074
Impairment on financial assets	7	3,768,070	113,989	(462,394)	-
Administrative expenses		(21,910,981)	(16,270,979)	(6,065,014)	(5,590,297)
Selling and distribution expenses		(32,573,227)	(30,531,591)	-	-
Other expenses		(3,818,829)	(12,523,912)	-	-
Profit/(Loss) from operations	10	25,630,344	2,590,623	1,019,422	(856,557)
Finance costs	11	(10,950,850)	(7,885,652)	(1,030,640)	-
Profit/(Loss) before taxation		14,679,494	(5,295,029)	(11,218)	(856,557)
Income tax expense	12	(2,684,893)	(1,498,026)	(280,622)	(218,042)
Profit/(Loss) for the financial year		11,994,601	(6,793,055)	(291,840)	(1,074,599)
Other comprehensive income/(loss)					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of a foreign operation		316,448	(364,795)	-	-
Item that will not be reclassified subsequently to profit or loss:					
Revaluation surplus on leasehold land and buildings, net of deferred tax		18,708,081	-	-	-
Other comprehensive income/(loss) for the financial year, net of tax		19,024,529	(364,795)	-	-
Total comprehensive income/(loss) for the financial year		31,019,130	(7,157,850)	(291,840)	(1,074,599)
Profit/(Loss) attributable to:					
Owners of the Company		11,162,922	(8,127,784)	(291,840)	(1,074,599)
Non-controlling interests		831,679	1,334,729	-	-
		11,994,601	(6,793,055)	(291,840)	(1,074,599)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		30,060,872	(8,346,661)	(291,840)	(1,074,599)
Non-controlling interests		958,258	1,188,811	-	-
		31,019,130	(7,157,850)	(291,840)	(1,074,599)
Earnings/(Loss) per share attributable to owners of the Company (sen per share)					
Basic	13	2.19	(1.59)		
Diluted	13	1.67	(1.21)		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2019

		Group		Company	
		Restated		Restated	
		2019	2018	2019	2018
Note		RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	14	95,682,989	71,835,592	127,524	71,224
Investments in subsidiary companies	15	-	-	89,986,301	89,311,301
Goodwill on consolidation	16	5,981,384	5,981,384	-	-
Intangible asset	17	-	78,964	-	-
Deferred tax assets	18	-	-	-	-
		101,664,373	77,895,940	90,113,825	89,382,525
Current assets					
Inventories	19	111,616,627	103,120,836	-	-
Trade and other receivables	20	142,107,844	123,343,024	16,830,794	16,820,371
Tax recoverable		902,243	1,627,811	-	-
Cash and bank balances	21	11,677,450	6,791,981	654,807	1,439,373
		266,304,164	234,883,652	17,485,601	18,259,744
TOTAL ASSETS		367,968,537	312,779,592	107,599,426	107,642,269
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	22	99,360,373	99,360,373	99,360,373	99,360,373
Other reserves	23	27,787,797	8,889,847	-	-
Reorganisation deficit	24	(47,962,248)	(47,962,248)	-	-
Retained profits/(Accumulated losses)	25	27,686,484	15,962,529	(10,393,001)	(10,101,161)
		106,872,406	76,250,501	88,967,372	89,259,212
Non-controlling interests		3,854,162	4,131,937	-	-
TOTAL EQUITY		110,726,568	80,382,438	88,967,372	89,259,212
Non-current liabilities					
Loans and borrowings	26	19,889,218	20,418,786	-	-
Deferred tax liabilities	18	10,523,830	5,183,590	-	8,971
		30,413,048	25,602,376	-	8,971
Current liabilities					
Loans and borrowings	26	183,997,825	171,110,370	-	-
Trade and other payables	27	41,999,496	34,861,492	18,598,892	18,308,447
Taxation		831,600	822,916	33,162	65,639
		226,828,921	206,794,778	18,632,054	18,374,086
TOTAL LIABILITIES		257,241,969	232,397,154	18,632,054	18,383,057
TOTAL EQUITY AND LIABILITIES		367,968,537	312,779,592	107,599,426	107,642,269

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Group	Note	Attributable to owners of the Company		Non-distributable		Distributable		Sub-total	Non-controlling interests	Total equity
		Share capital	Revaluation reserve	Exchange reserve	Reorganisation deficit	Retained profits	RM			
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	
Loss for the financial year		-	-	-	-	(8,127,784)	(8,127,784)	1,334,729	(6,793,055)	
Other comprehensive loss		-	-	(218,877)	-	-	(218,877)	(145,918)	(364,795)	
- Foreign currency translation	23									
Total comprehensive loss for the financial year		-	-	(218,877)	-	(8,127,784)	(8,346,661)	1,188,811	(7,157,850)	
Realisation of revaluation reserve	23	-	(122,414)	-	-	122,414	-	-	-	
Balance 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	
Effect of adoption of MFRS 9		-	-	-	-	(5,529,470)	(5,529,470)	(196,351)	(5,725,821)	
Restated balance at 30 June 2018		99,360,373	9,190,233	(300,386)	(47,962,248)	15,962,529	76,250,501	4,131,937	80,382,438	
Restated balance at 1 July 2018		99,360,373	9,190,233	(300,386)	(47,962,248)	15,962,529	76,250,501	4,131,937	80,382,438	
Profit for the financial year		-	-	-	-	11,162,922	11,162,922	831,679	11,994,601	
Other comprehensive income		-	-	189,869	-	-	189,869	126,579	316,448	
- Foreign currency translation	23									
- Revaluation surplus on leasehold land and buildings, net of deferred tax	23		18,708,081	-	-	-	18,708,081	-	18,708,081	
Total comprehensive income for the financial year		-	18,708,081	189,869	-	11,162,922	30,060,872	958,258	31,019,130	
Increase in stake of a subsidiary	15	-	-	-	-	561,033	561,033	(1,236,033)	(675,000)	
Balance at 30 June 2019		99,360,373	27,898,314	(110,517)	(47,962,248)	27,686,484	106,872,406	3,854,162	110,726,568	

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

Company	Share capital RM	Accumulated losses RM	Total equity RM
Balance at 1 July 2017	99,360,373	(5,138,663)	94,221,710
Total comprehensive loss for the financial year	-	(1,074,599)	(1,074,599)
Balance at 30 June 2018	99,360,373	(6,213,262)	93,147,111
Effect of adoption of MFRS 9	-	(3,887,899)	(3,887,899)
Restated balance at 30 June 2018	99,360,373	(10,101,161)	89,259,212
Total comprehensive loss for the financial year	-	(291,840)	(291,840)
Balance at 30 June 2019	99,360,373	(10,393,001)	88,967,372

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Cash flows from operating activities					
Profit/(Loss) before taxation		14,679,494	(5,295,029)	(11,218)	(856,557)
Adjustments for:					
Amortisation of intangible asset		78,964	78,964	-	-
Bad debts written off		876,026	149,785	-	-
Depreciation of property, plant and equipment		4,147,904	4,475,951	40,746	23,745
Deposits written off		113,700	-	-	-
Gain on disposal of property, plant and equipment		-	(60,732)	-	-
Impairment on financial assets		(3,768,070)	(113,989)	462,394	-
Interest expenses		10,950,850	7,885,652	1,030,640	-
Interest income		(1,369,342)	(238,534)	(1,223,073)	(185,090)
Inventories written off		2,538,583	2,660,694	-	-
Liabilities no longer in existence written back		(100,337)	(1,428,926)	-	-
Other receivables written off		-	8,858,390	-	-
Prepayments written off		-	384,154	-	-
Property, plant and equipment written off		-	54,798	-	-
Reversal of bad debts written off		(282)	-	-	-
Trade deposits written back		(182,460)	-	-	-
Operating profit/(loss) before working capital changes		27,965,030	17,411,178	299,489	(1,017,902)
Change in receivables		(15,986,194)	(23,462,542)	3,466,134	(1,626,136)
Change in inventories		(10,490,924)	(26,137,038)	-	-
Change in payables		7,466,673	10,260,472	506,018	(766,452)
Cash generated from/(used in) operations		8,954,585	(21,927,930)	4,271,641	(3,410,490)
Income tax paid		(4,150,109)	(792,316)	(322,070)	-
Income tax refunded		1,631,893	-	-	22,863
Interest paid		(3,528,902)	(2,805,601)	-	-
Interest received		1,369,342	238,534	17,353	8,409
Net cash generated from/(used in) operating activities		4,276,809	(25,287,313)	3,966,924	(3,379,218)
Cash flows from investing activities					
Acquisition of property, plant and equipment*		(3,237,737)	(3,471,746)	(97,046)	(253)
Advances to subsidiaries		-	-	(3,938,951)	(6,451,677)
Increase in stake in a subsidiary company	15	(675,000)	-	(675,000)	-
Interest received		-	-	175,080	176,681
Proceeds from disposal of property, plant and equipment		-	257,999	-	-
Net cash used in investing activities		(3,912,737)	(3,213,747)	(4,535,917)	(6,275,249)
		364,072	(28,501,060)	(568,993)	(9,654,467)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Cash flows from financing activities					
(Repayments to)/Advances from Directors		(21,523)	9,941	-	-
(Repayments to)/Advances from subsidiaries		-	-	(191,224)	10,905,678
(Repayments to)/Advances from immediate holding company		(24,349)	24,349	(24,349)	24,349
Net drawdown of bankers' acceptances		16,278,801	9,646,806	-	-
Net drawdown of term loans		568,957	2,094,642	-	-
Interest paid		(7,421,948)	(5,080,051)	-	-
Net payments of hire purchase payables		(1,612,497)	(2,326,585)	-	-
Net drawdown of trust receipts		1,585,301	14,875,580	-	-
Net cash generated from/(used in) financing activities		9,352,742	19,244,682	(215,573)	10,930,027
Net increase/(decrease) in cash and cash equivalents		9,716,814	(9,256,378)	(784,566)	1,275,560
Effect of exchange rate fluctuations		340,930	(102,698)	-	-
Cash and cash equivalents at beginning of financial year		(33,243,628)	(23,884,552)	1,439,373	163,813
Cash and cash equivalents at end of financial year	21	(23,185,884)	(33,243,628)	654,807	1,439,373

Non-cash transactions

* *Acquisition of property, plant and equipment*

During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM3,362,601 and RM97,046 (2018: RM4,306,958 and RM253) of which RM124,864 and RMNil (2018: RM835,212 and RMNil) were acquired by means of hire purchase. Cash payments of RM3,237,737 and RM97,046 (2018: RM3,471,746 and RM253) were made to acquire property, plant and equipment.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

Reconciliation of liabilities arising from financing activities

2019 Group	1 July RM	Cash flows RM	Non-cash acquisition RM	Foreign exchange movement RM	30 June RM
Amounts due to Directors	34,534	(21,523)	-	440	13,451
Amount due to immediate holding company	24,349	(24,349)	-	-	-
Bankers' acceptances	93,310,243	16,278,801	-	-	109,589,044
Hire purchase payables	4,650,922	(1,612,497)	124,864	3,039	3,166,328
Revolving credit	18,000,000	-	-	-	18,000,000
Term loans	18,577,744	568,957	-	-	19,146,701
Trust receipts	16,954,638	1,585,301	-	581,697	19,121,636
	151,552,430	16,774,690	124,864	585,176	169,037,160
Company					
Amounts due to subsidiaries	18,044,677	(191,224)	-	-	17,853,453
Amount due to immediate holding company	24,349	(24,349)	-	-	-
	18,069,026	(215,573)	-	-	17,853,453
2018 Group					
Amounts due to Directors	22,834	9,941	-	1,759	34,534
Amount due to immediate holding company	-	24,349	-	-	24,349
Bankers' acceptances	83,663,437	9,646,806	-	-	93,310,243
Hire purchase payables	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	24,324,733	835,212	(104,136)	151,552,430
Company					
Amounts due to subsidiaries	7,138,999	10,905,678	-	-	18,044,677
Amount due to immediate holding company	-	24,349	-	-	24,349
	7,138,999	10,930,027	-	-	18,069,026

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

1. GENERAL INFORMATION

The Company is a public limited liability company that is domiciled and incorporated in Malaysia, and is listed on the ACE Market of Bursa Malaysia Securities Berhad. The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 15 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year ended 30 June 2019.

The registered office and principal place of business of the Company are located at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia and Lot 73, Jalan Kilang, SEDCO Light Industrial Estate, Mile 5 ½ Jalan Tuaran, 88450 Kota Kinabalu, Sabah, Malaysia respectively.

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.

These financial statements were authorised for issue by the Directors in accordance with a resolution of the Board of Directors dated 21 October 2019.

2. BASIS OF PREPARATION

The significant accounting policies adopted by the Group and the Company are consistent with those adopted in previous financial year unless otherwise stated.

The financial statements of the Group and of the Company are prepared on the historical cost convention, other than as disclosed in the notes to the financial statements, and in accordance with the Malaysian Financial Reporting Standards ("MFRS") issued by Malaysian Accounting Standards Board, International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements are prepared in Ringgit Malaysia (RM) which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Adoption of new and revised MFRS

The following amended standards and interpretation have been adopted in the current year. Unless otherwise disclosed in Note 2(c), their adoption has had no material impact on the amounts reported in these financial statements.

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The standard introduces new requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

2. BASIS OF PREPARATION *cont'd*

(a) Adoption of new and revised MFRS *cont'd*

MFRS 9 Financial Instruments *cont'd*

(i) Classification and measurement

MFRS 9 has two (2) measurement categories – amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For financial liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of profit or loss, unless this creates an accounting mismatch.

(ii) Impairment

The impairment requirements apply to financial assets measured at amortised cost and fair value through other comprehensive income, lease receivables and certain loan commitments as well as financial guarantee contracts. At initial recognition, allowance for impairment is required for expected credit losses ("ECL") resulting from default events that are possible within the next twelve (12) months ("12 month ECL"). In the event of a significant increase in credit risk, allowance for impairment is required for ECL resulting from all possible default events over the expected life of the financial instrument. The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period by considering the probability of default occurring over the remaining life of the financial instrument. The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should also take into account the time value of money.

(iii) Hedge accounting

MFRS 9 establishes a more principle-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in MFRS 139. The general hedge accounting requirements aim to simplify hedge accounting, creating a stronger link between hedge accounting and risk management strategy and permitting hedge accounting to be applied to a greater variety of hedging instruments and risks. The standard does not explicitly address macro hedge accounting, which is being considered in a separate project.

The Group and the Company had to change its accounting policies and make certain retrospective adjustments following the adoption of MFRS 9. This is disclosed in Note 2(c).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

2. BASIS OF PREPARATION *cont'd*

(a) Adoption of new and revised MFRS *cont'd*

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity will recognise 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. This core principle is delivered in a five-step model framework:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of MFRS 15. This is disclosed in Note 2(c).

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Under IC Interpretation 22 an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the “date of the transaction” to record foreign currency transactions. It provides guidance on how to determine “the date of transaction” when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk. If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt. The Group and the Company have the option to apply IC Interpretation 22 retrospectively or prospectively.

The adoption of the IC Interpretation 22 did not have any material impact to the financial statements of the Group and of the Company.

(b) Standards issued but not yet effective

The Group and the Company have not adopted the following standards and interpretations that have been issued but not yet effective:

Effective for annual periods commencing on or after 1 January 2019

- Amendments to MFRS 9 Financial Instruments
- MFRS 16 Leases
- IC Interpretation 23 Uncertainty over Income Tax Treatments
- Amendments to MFRS 112 (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 123 (Annual Improvements to MFRS Standards 2015-2017 Cycle)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

2. BASIS OF PREPARATION *cont'd*

(b) Standards issued but not yet effective *cont'd*

Effective for annual periods commencing on or after 1 January 2020

- Definition of Material (Amendments to MFRS 101)
- Definition of Material (Amendments to MFRS 108)

A brief description on the Amendments to MFRSs and new MFRSs above that have been issued is set out below:

Amendments to MFRS 9 Financial Instruments

Under MFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to MFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

MFRS 16 Leases

Under MFRS 16 a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under MFRS 117 would typically have had straight-line expenses) as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the reporting period.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

As with MFRS 16's predecessor, MFRS 117, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease.

For finance leases a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

Recognition exemptions: Instead of applying the recognition requirements of MFRS 16 described above, a lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term or another systematic basis for the following two (2) types of leases:

- leases with a lease term of twelve (12) months or less and containing no purchase options – this election is made by class of underlying asset; and
- leases where the underlying asset has a low value when new (such as personal computers or small items of office furniture) – this election can be made on a lease-by-lease basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

2. BASIS OF PREPARATION *cont'd*

(b) Standards issued but not yet effective *cont'd*

IC Interpretation 23 Uncertainty over Income Tax Treatments

IC Interpretation 23 provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

Amendments to MFRS 112 (Annual Improvements to MFRS Standards 2015-2017 Cycle)

Under MFRS 112 Income Taxes, Amendments to MFRS 112 (Annual Improvements to MFRS Standards 2015-2017 Cycle), an entity shall recognise the income tax consequences of dividends as defined in MFRS 9 when it recognises a liability to pay a dividend. The income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

Early application of these amendments is permitted provided that the entity discloses the fact. When an entity first applies these amendments, it shall apply them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Amendments to MFRS 123 (Annual Improvements to MFRS Standards 2015-2017 Cycle)

The amendments are made on the borrowing costs eligible for capitalisation. MFRS 123 Borrowing Costs states that the capitalisation rate of borrowing costs shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period other than borrowings made specifically for the purpose of obtaining a qualifying asset. Amendments to MFRS 123 (Annual Improvements to MFRS Standards 2015-2017 Cycle) has extended the statement by stating that an entity shall exclude from this calculation borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare that asset for its intended use or sale are complete.

The Group and the Company plan to assess the potential effect of the adoption of the above new standards on their financial statements in the financial year ended 30 June 2020.

Definition of Material (Amendments to MFRS 101 and MFRS 108)

In October 2018, the MASB issued *Definition of Material* (Amendments to MFRS 101 and MFRS 108). The amendments clarify and align the definition of 'material' as and provide guidance to help improve consistency in the application of that concept whenever it is used in MFRS.

The term of materiality has been amended, and has defined as "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The materiality requirements of MFRS 101 have been amended to emphasise that information should not be aggregated or disaggregated in a way that obscures material information. The changes also highlight that materiality applies to all aspects of financial statements, including the primary financial statements, the notes and specific disclosures required by individual MFRSs. The purpose is to encourage entities (and others involved in the preparation and review of financial statements) to give careful consideration to presentation requirements, and to the items that need to be included in financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

2. BASIS OF PREPARATION *cont'd*

(b) Standards issued but not yet effective *cont'd*

Definition of Material (Amendments to MFRS 101 and MFRS 108) *cont'd*

The content of primary statement line items has been clarified, including that as well as aggregating immaterial items, individual lines that contain significant items may need to be disaggregated. Additional guidance has also been added for the use of subtotals, requiring that these are derived using amounts that are reported in accordance with MFRS.

The amendments apply prospectively for annual period on or after 1 January 2020, with early application permitted. There is no potential effect on the amendments of these standards as the amendments only affect the disclosures of the financial statements of the Group and the Company.

(c) Changes in accounting policies and disclosures

The Group and the Company applied MFRS 15 and MFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Group and of the Company. The Group and the Company have not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 supersedes MFRS 111 Construction Contracts, MFRS 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

MFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted MFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 July 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard only to contracts that are not completed as at 1 July 2018.

The cumulative effect of initially applying MFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under MFRS 111, MFRS 118 and related Interpretations.

However, there is no material financial impact on the adoption of MFRS 15 to the Group. The Group has recognised its revenue based on the performance obligation satisfied at a point in time in prior years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

2. BASIS OF PREPARATION *cont'd*

(c) Changes in accounting policies and disclosures *cont'd*

MFRS 9 Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three (3) aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group and the Company applied MFRS 9 retrospectively, with an initial application date of 1 July 2018. The Group and the Company have not restated the comparative information, which continues to be reported under MFRS 139. Differences arising from the adoption of MFRS 9 have been recognised directly in retained earnings and other components of equity.

The following table and the accompanying notes below explain the original measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and the Company's financial assets and financial liabilities as at 1 July 2018.

(i) Classification and measurement of financial assets and financial liabilities

Group

	Note	Original classification under MFRS 139	New classification under MFRS 9	Original carrying amount under MFRS 139 RM	New carrying amount under MFRS 9 RM
Financial assets					
Trade and other receivables	(a)	Loans and receivables	Amortised cost	123,972,863	118,247,042
Cash and bank balances		Loans and receivables	Amortised cost	6,791,981	6,791,981

Company

	Note	Original classification under MFRS 139	New classification under MFRS 9	Original carrying amount under MFRS 139 RM	New carrying amount under MFRS 9 RM
Financial assets					
Trade and other receivables	(a)	Loans and receivables	Amortised cost	20,670,870	16,782,971
Cash and bank balances		Loans and receivables	Amortised cost	1,439,373	1,439,373

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

2. BASIS OF PREPARATION *cont'd*

(c) Changes in accounting policies and disclosures *cont'd*

MFRS 9 Financial Instruments *cont'd*

(i) Classification and measurement of financial assets and financial liabilities *cont'd*

- (a) Trade and other receivables that were classified as loans and receivables under MFRS 139 are now classified at amortised cost. Trade and other receivables financial assets classified as loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. An increase of RM5,725,821 and RM3,887,899 in the allowance for impairment of the Group and of the Company respectively over these receivables were recognised in opening retained earnings at 1 July 2018 on transition to MFRS 9.

There are no changes in classification and measurement for the Group's and the Company's financial liabilities.

The classification is based on two (2) criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of MFRS 9 did not have a significant impact to the Group and to the Company other than as disclosed above.

(ii) Impairment

The effect of adopting MFRS 9 on the carrying amounts of financial assets at 1 July 2018 relates solely to the new impairment requirements.

MFRS 9 replaces the 'incurred loss' model in MFRS 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at fair value through other comprehensive income (FVOCI), but not to investments in equity instruments. Under MFRS 9, credit losses are recognised earlier than under MFRS 139. For assets in the scope of the MFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

2. BASIS OF PREPARATION *cont'd*

(c) Changes in accounting policies and disclosures *cont'd*

MFRS 9 Financial Instruments *cont'd*

(ii) Impairment *cont'd*

The Group and Company have determined that the application of MFRS 9's impairment requirements at 1 July 2018 results in additional allowance for impairment as follows:

Group	RM
Loss allowance at 30 June 2018 under MFRS 139	222,608
Additional impairment recognised at 1 July 2018 on:	
Trade and other receivables as at 30 June 2018 (Note 20)	5,725,821
Loss allowance at 1 July 2018 under MFRS 9	5,948,429
Company	
	RM
Loss allowance at 30 June 2018 under MFRS 139	-
Additional impairment recognised at 1 July 2018 on:	
Trade and other receivables as at 30 June 2018 (Note 20)	3,887,899
Loss allowance at 1 July 2018 under MFRS 9	3,887,899

(iii) Hedge accounting

There is no impact on the changes in hedge accounting as the Group does not apply hedge accounting.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group and the Company recognise tax liabilities based on their understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES *cont'd*

Key sources of estimation uncertainty *cont'd*

(ii) Depreciation of property, plant and equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group and the Company anticipate that the residual values of their property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. The management estimates the useful lives of the property, plant and equipment to be within five (5) to eighty three (83) years. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(iii) Revaluation of leasehold land and buildings

Leasehold land and buildings of the Group are reported at valuation which is based on valuations performed by independent professional valuers.

The leasehold land and buildings were valued by reference to transactions involving properties of a similar nature, location and condition which involved judgement by the independent professional valuers that may affect the resulting valuation estimates.

(iv) Carrying value of investments in subsidiary companies

Investments in subsidiary companies are reviewed for impairment annually in accordance with its accounting policy as disclosed in Note 4(l)(ii) to the financial statements, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Significant judgment is required in the estimation of the present value of future cash flows generated by the subsidiaries, which involves uncertainties and are significantly affected by assumptions and judgments made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the carrying value of investments in subsidiary companies.

(v) Impairment of non-financial assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(vi) Impairment of goodwill

The Group assesses at each reporting date whether there is any impairment of goodwill. 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 16.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES *cont'd*

Key sources of estimation uncertainty *cont'd*

(vii) Deferred tax assets and liabilities

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the Statement of Profit or Loss and Other Comprehensive Income in the period in which actual realisation and settlement occurs.

(viii) Allowance for inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(ix) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Previously, an impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(x) Fair value estimates for certain financial assets and liabilities

The Group and the Company carry certain financial assets and liabilities at fair value, which require extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group and the Company use different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the reporting date. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company.

(i) 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 profits 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.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive.

The Group considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. The Group did not consider *de facto* power in its assessment of control.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(iii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(a) Basis of consolidation *cont'd*

(iii) Business combinations *cont'd*

For each business combination, the Group elects whether it measures the 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.

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.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit 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 equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit and loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so caused the non-controlling interests to have a deficit balance.

(vi) Transactions with non-controlling interests

Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners.

On acquisition of non-controlling interests, the difference between the consideration and the Group's share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intragroup 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(b) Foreign currencies

(i) Functional and presentation currencies

The Group's consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(ii) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Group and the Company and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

The closing rates used in the translation for foreign currency monetary assets and liabilities are as follows:

	2019	2018
	RM	RM
1 Brunei Dollar	3.0604	2.9666

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Revenue recognition

Policy applicable from 1 July 2018

Revenue from contracts with customers is recognised by reference to each distinct performance obligation promised in the contract with the customer when or as the Group transfers controls of the goods or services promised in a contract and the customer obtains control of the goods or services.

Revenue from contracts with customers is measured at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of discounts. The transaction price is allocated to each distinct good or service promised in the contract. Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be a point in time or over time.

The Group satisfies a performance obligation and recognises revenue over time, if one (1) of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If any of the above conditions are not met, the Group recognises revenue at the point in time at which the performance obligation is satisfied.

(i) Sale of goods

Revenue from sale of goods is recognised net of taxes and upon transfer of control of ownership to the buyer. 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.

(ii) Revenue from services

Revenue from services rendered is recognised net of taxes and discounts as and when the services are performed.

(iii) Management fee income

Management fee income is recognised when services are rendered.

(iv) Rental income

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

(v) Interest income

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Revenue recognition *cont'd*

Policy applicable before 1 July 2018

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.

(i) 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.

(ii) Rendering of services

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

(iii) Interest income

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

(iv) Rental income

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

(v) Management fees income

Revenue is recognised when services are rendered.

(d) Employee benefits

The Group and the Company recognise a liability when an employee has provided service in exchange for employee benefits to be paid in the future and an expense when the Group and the Company consume the economic benefits arising from service provided by an employee in exchange for employee benefits.

(i) Short-term employee benefits

Wages and salaries are usually accrued and paid on a monthly basis and are recognised as an expense, unless they relate to cost of producing inventories or other assets.

Paid absences (annual leave, maternity leave, paternity leave, sick leave, etc.) are accrued in each period if they are accumulating paid absences that can be carried forward, or in the case of non-accumulating paid absences, recognised as and when the absences occur.

Profit sharing and bonus payments are recognised when, and only when, the Group and the Company have a present legal or constructive obligation to make such payment as a result of past events and a reliable estimate of the obligation can be made.

(ii) Post-employment benefits (defined contribution plans)

The Group and the Company make statutory contributions to the approved provident funds and the contributions made are charged to profit or loss in the period to which they relate. When the contributions have been paid, the Group and the Company have no further payment obligations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(e) Tax assets and tax liabilities

A current tax for current and prior periods, to the extent unpaid, is recognised as a current tax liability. If the amount already paid in respect of current and prior periods exceed the amount due for those periods, the excess is recognised as a current tax asset. A current tax liability/(asset) is measured at the amount the entity expects to pay/(recover) using tax rates and laws that have been enacted or substantially enacted by the reporting date.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit/(or tax loss). The exceptions for initial recognition differences include items of property, plant and equipment that do not qualify for capital allowances and acquired intangible assets that are not deductible for tax purposes.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit/(or tax loss). The exceptions for the initial recognition differences include non-taxable government grants received and reinvestment allowances and investment tax allowances on qualifying plant and equipment.

A deferred tax asset is recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Deferred taxes are measured using tax rates/(and tax laws) that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred taxes reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities.

At the end of each reporting period, the carrying amount of a deferred tax asset is reviewed and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of a part or all of that deferred tax asset to be utilised. Any such reduction will be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

A current or deferred tax is recognised as income and expense in profit or loss for the period, except to the extent that the tax arises from items recognised outside profit or loss. For an income or expense item recognised in other comprehensive income, the current or deferred tax expense or tax income is recognised in other comprehensive income. For items recognised directly in equity, the related tax effect is also recognised directly in equity.

(f) 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 ordinary shareholders 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 ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(g) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment other than leasehold land and buildings are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Leasehold land and buildings are measured at fair value less accumulated depreciation on leasehold land and buildings and accumulated impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the leasehold land and buildings at the reporting date.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Capital work-in-progress is not depreciated until it is completed and ready for use. Depreciation of property, plant and equipment is provided for on a straight-line basis to write off the cost or valuation of each asset to its residual value over the estimated useful life, at the following annual rates:

Leasehold land	16 years to 83 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 carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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 on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(h) Goodwill

Goodwill arising from a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

The policy for the recognition and measurement of impairment losses is in accordance with Note 4(l)(ii). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(i) Intangible asset

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
Intangible asset	Revenue - based	4 years

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.

(j) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(k) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Policy applicable from 1 July 2018

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

For purposes of subsequent measurement, financial assets are classified in four (4) categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group and the Company. The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(k) Financial instruments *cont'd*

(i) Financial assets *cont'd*

Policy applicable from 1 July 2018 *cont'd*

Financial assets at amortised cost (debt instruments) *cont'd*

The Group's and the Company's financial assets at amortised cost includes trade and other receivables and cash and bank balances.

Financial assets at fair value through OCI (debt instruments)

The Group and the Company measure debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group and the Company have no debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group and the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group and the Company have no equity instruments at fair value through OCI.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(k) Financial instruments *cont'd*

(i) Financial assets *cont'd*

Policy applicable from 1 July 2018 *cont'd*

Financial assets at fair value through profit or loss *cont'd*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

The Group and the Company have no financial assets at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group and the Company have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement² and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group and the Company have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(k) Financial instruments *cont'd*

(i) Financial assets *cont'd*

Policy applicable before 1 July 2018

Financial assets are recognised in the Statements of Financial Position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale-financial assets.

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group and the Company have the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within twelve (12) months after the reporting date which are classified as current.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(k) Financial instruments *cont'd*

(i) Financial assets *cont'd*

Policy applicable before 1 July 2018 *cont'd*

Loans and receivables

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. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than twelve (12) months after the reporting date which are classified as non-current.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three (3) preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within twelve (12) months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(k) Financial instruments *cont'd*

(ii) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 9, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost.

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

Financial liabilities measured at amortised cost

The Group's and the Company's financial liabilities measured at amortised cost include trade and other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least twelve (12) months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(l) Impairment

(i) Impairment of financial assets

Policy applicable from 1 July 2018

The Group and the Company recognise an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two (2) stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group and the Company apply the low credit risk simplification. At every reporting date, the Group and the Company evaluate whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group and the Company reassess the internal credit rating of the debt instrument.

In addition, the Group and the Company consider that there has been a significant increase in credit risk when contractual payments are more than one (1) year past due. It is the Group's and the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group and the Company consider a financial asset in default when contractual payments are four (4) years past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Policy applicable before 1 July 2018

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset of the Group and the Company that can be reliably estimated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(l) Impairment *cont'd*

(i) Impairment of financial assets *cont'd*

Policy applicable before 1 July 2018 *cont'd*

Evidence of impairment may include indications that the debtors or a group of debtors is 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 indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

- **Trade and other receivables and other financial assets carried at amortised cost**

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based in similar risk characteristics.

Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

- **Unquoted equity securities carried at cost**

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(l) Impairment *cont'd*

(ii) Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down 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 are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless that asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

(m) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as equity.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised as an appropriation of retained profits upon declaration, and are only taken up as liabilities upon the necessary approval being obtained.

(n) Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowings costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(o) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, except land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(ii) Finance leases – the Group as lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the Statements of Financial Position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) Operating leases – the Group as lessee

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 4 (g).

(p) 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.

Financial guarantee contracts are recognised initially as a liability at fair value, net transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(q) Provisions

Provisions are recognised when the Group and the Company have present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount can be made.

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 resources embodying economic benefits will be required to settle the obligation, the provision will be reversed. Where the effect of the time value of money is material, provisions are discounted using a current per-tax rate that reflects, where appropriate, the risks specific to the liability and the present value of the expenditure expected to be required to settle the obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(r) Contingencies

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

Contingent liabilities and assets are not recognised in the Statements of Financial Position of the Group.

(s) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker, which in this case is the Group Managing Director, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(t) Fair value measurement

Fair value is 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 fair value measurement is based on the presumption that the transactions to sell the asset or transfer the liability takes place either:

- (i) In the principal market for the asset or liability, or
- (ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset 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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(t) Fair value measurement *cont'd*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- (i) Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- (ii) Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- (iii) Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

5. REVENUE

	Group		Group Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Revenue from contracts with customers				
Revenue from distribution of consumer packaged goods	618,359,392	453,790,173	-	-
Revenue from manufacturing of bakery products	6,617,090	5,430,843	-	-
	624,976,482	459,221,016	-	-
Revenue from other sources				
Management fee from subsidiaries	-	-	6,323,758	4,548,666
	624,976,482	459,221,016	6,323,758	4,548,666

Disaggregation of revenue

The Group reports the following major segments: distribution and manufacturing. For the purpose of disclosure for disaggregation of revenue, it disaggregates revenue into primary geographical markets, type of goods and timing of revenue recognition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

5. REVENUE *cont'd*

Disaggregation of revenue *cont'd*

Group	Distribution RM	Manufacturing RM	Total RM
2019			
Primary geographical markets			
Sabah	311,710,894	6,617,090	318,327,984
Sarawak	190,984,411	-	190,984,411
Labuan and others	115,664,087	-	115,664,087
	618,359,392	6,617,090	624,976,482
Type of goods			
Consumer packaged goods	618,359,392	-	618,359,392
Bakery products	-	6,617,090	6,617,090
	618,359,392	6,617,090	624,976,482
Timing of revenue recognition			
At a point in time	618,359,392	6,617,090	624,976,482
2018			
Primary geographical markets			
Sabah	282,398,198	5,430,843	287,829,041
Sarawak	117,349,339	-	117,349,339
Labuan and others	54,042,636	-	54,042,636
	453,790,173	5,430,843	459,221,016
Type of goods			
Consumer packaged goods	453,790,173	-	453,790,173
Bakery products	-	5,430,843	5,430,843
	453,790,173	5,430,843	459,221,016
Timing of revenue recognition			
At a point in time	453,790,173	5,430,843	459,221,016

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

6. OTHER OPERATING INCOME

	Group		Company	
	2019	Restated 2018	2019	2018
	RM	RM	RM	RM
Gain on disposal of property, plant and equipment	-	60,732	-	-
Interest income	1,369,342	238,534	1,223,072	185,090
Liabilities no longer existence written back	100,337	1,428,926	-	-
Realised gain on foreign exchange	-	-	-	(16)
Rental income				
- motor vehicles	519,565	502,235	-	-
- warehouses and offices	598,367	94,134	-	-
Reversal of bad debts written off	282	-	-	-
Supply chain income	652,273	4,378,836	-	-
Trade deposits written back	182,460	-	-	-
Miscellaneous income	1,200,485	1,084,715	-	-
	4,623,111	7,788,112	1,223,072	185,074

7. IMPAIRMENT ON FINANCIAL ASSETS

	Group		Company	
	2019	Restated 2018	2019	2018
	RM	RM	RM	RM
Impairment on: (Note 20)				
- trade receivables	366,435	43,566	-	-
- other receivables	787,544	-	-	-
- amounts due from subsidiaries	-	-	713,448	-
Reversal of impairment on: (Note 20)				
- trade receivables	(4,900,377)	(157,555)	(251,054)	-
- other receivables	(21,672)	-	-	-
	(3,768,070)	(113,989)	462,394	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

8. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Salaries, wages, bonuses, allowances and incentives	15,825,636	13,611,754	3,393,299	3,599,637
Defined contribution plan	2,356,545	1,753,655	230,647	291,889
Employees Insurance System contributions	32,806	635	1,045	635
Social security contributions	291,154	227,149	10,575	13,372
	18,506,141	15,593,193	3,635,566	3,905,533

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration amounting to RM2,528,988 (2018: RM1,802,207) and RM2,528,988 (2018: RM1,802,207) respectively as further disclosed in Note 9 to the financial statements.

9. DIRECTORS' REMUNERATION

The details of remuneration received and receivable by Directors of the Group and of the Company during the financial year are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Executive Directors' remuneration: (Note 8 and 28(c))				
- Fee	150,120	150,120	150,120	150,120
- Salary	1,593,200	1,571,000	1,593,200	1,571,000
- Other emoluments	785,668	81,087	785,668	81,087
	2,528,988	1,802,207	2,528,988	1,802,207
Non-executive Directors' remuneration:				
- Fee	265,500	250,200	253,500	250,200
- Other emoluments	22,079	15,000	22,079	15,000
	287,579	265,200	275,579	265,200
Total Directors' remuneration	2,816,567	2,067,407	2,804,567	2,067,407

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

10. PROFIT/(LOSS) FROM OPERATIONS

	Group		Company	
	Restated		2019	2018
	2019	2018		
	RM	RM	RM	RM
Other than disclosed in Note 6, 7, 8 and 9, profit/(loss) from operations is arrived at after charging:				
Amortisation of intangible asset (Note 17)	78,964	78,964	-	-
Auditors' remuneration				
- Statutory audit				
- current year	217,125	166,256	35,000	30,000
- under provision in prior year	47,257	-	48,004	-
- Other services	93,000	17,000	93,000	17,000
Bad debts written off	876,026	149,785	-	-
Depreciation of property, plant and equipment (Note 14)	4,147,904	4,475,951	40,746	23,745
Deposits written off	113,700	-	-	-
Inventories written off	2,538,583	2,660,694	-	-
Other receivables written off	-	8,858,390	-	-
Prepayments written off	-	384,154	-	-
Property, plant and equipment written off (Note 14)	-	54,798	-	-
Realised loss on foreign exchange	420,412	399,918	-	-
Rental expenses				
- warehouses and offices	1,010,268	1,533,360	-	-
- office equipment	37,397	86,594	26,167	9,840

11. FINANCE COSTS

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Interest expenses:				
- Amounts due to subsidiaries	-	-	1,030,640	-
- Bank overdrafts	3,528,902	2,805,601	-	-
- Bankers' acceptances	4,358,014	2,839,365	-	-
- Hire purchase	234,998	378,408	-	-
- Revolving credit	914,047	814,480	-	-
- Term loans	906,742	811,128	-	-
- Trust receipts	1,008,147	236,670	-	-
	10,950,850	7,885,652	1,030,640	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

12. INCOME TAX EXPENSE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Current taxation	3,856,073	2,233,292	293,537	76,672
Deferred tax liabilities (Note 18)	(567,575)	(830,243)	(8,971)	136,106
	3,288,498	1,403,049	284,566	212,778
(Over)/Under provision in prior year				
- Current taxation	(603,605)	94,977	(3,944)	5,264
	2,684,893	1,498,026	280,622	218,042

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and the Company is as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit/(Loss) before taxation	14,679,494	(5,295,029)	(11,218)	(856,557)
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	3,523,079	(1,270,807)	(2,692)	(205,574)
Effect of tax rate in foreign jurisdiction at 18.5% (2018: 18.5%)	199,943	(53,603)	-	-
Non-tax deductible expenses	1,518,842	2,577,659	236,036	303,258
Non-taxable income	-	(102,240)	-	-
Effect of deductible temporary differences arising from initial recognition of assets but not recognised as deferred tax assets	(1,953,366)	252,040	51,222	115,094
	3,288,498	1,403,049	284,566	212,778
(Over)/Under provision in prior year				
- Current taxation	(603,605)	94,977	(3,944)	5,264
	2,684,893	1,498,026	280,622	218,042

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

13. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share amounts are calculated by dividing profit/(loss) for the financial year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2019	2018
	RM	RM
Profit/(Loss) net of tax attributable to owners of the Company	11,162,922	(8,127,784)
Weighted average number of ordinary shares in issue	510,277,000	510,277,000
	Group	
	2019	2018
	Sen	Sen
Basic earnings/(loss) per share	2.19	(1.59)

(b) Diluted

Diluted earnings/(loss) per share amounts are calculated by dividing profit/(loss) for the financial year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year after adjustment for the effects of all dilutive potential ordinary shares.

	Group	
	2019	2018
	RM	RM
Profit/(Loss) net of tax attributable to owners of the Company	11,162,922	(8,127,784)
Weighted average number of ordinary shares in issue (basic)	510,277,000	510,277,000
Effect of dilution from:		
- redeemable convertible preference shares	160,012,387	160,012,387
Weighted average number of ordinary shares in issue (diluted)	670,289,387	670,289,387
Diluted earnings/(loss) per share	1.67	(1.21)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

14. PROPERTY, PLANT AND EQUIPMENT

Group	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
2019									
Cost/Valuation									
At 1 July 2018	-	-	5,412,169	7,191,132	3,360,890	2,614,046	9,111,112	-	27,689,349
- At cost	-	-	-	-	-	-	-	-	-
- At valuation	36,759,621	22,413,086	5,412,169	7,191,132	3,360,890	2,614,046	9,111,112	-	59,172,707
Addition	36,759,621	22,413,086	5,412,169	7,191,132	3,360,890	2,614,046	9,111,112	-	86,862,056
Revaluation surplus	-	-	433,457	375,983	493,912	306,526	1,752,723	-	3,362,601
Reclassification	12,436,551	7,635,380	-	-	-	-	-	-	20,071,931
Exchange differences	-	7,875,381	-	-	-	-	(7,875,381)	-	-
	-	-	13,332	11,282	-	-	4,057	-	28,671
At 30 June 2019	49,196,172	37,923,847	5,858,958	7,578,397	3,854,802	2,920,572	2,992,511	-	110,325,259
Accumulated depreciation									
At 1 July 2018	2,605,951	1,261,124	3,228,695	4,429,302	1,067,258	920,335	1,513,799	-	15,026,464
Charge for the financial year (Note 10)	1,042,395	742,700	521,209	1,229,051	395,909	349,902	(133,262)	-	4,147,904
Written back on revaluation	(3,007,417)	(1,536,548)	-	-	-	-	-	-	(4,543,965)
Exchange differences	-	-	4,884	5,909	-	-	1,074	-	11,867
At 30 June 2019	640,929	467,276	3,754,788	5,664,262	1,463,167	1,270,237	1,381,611	-	14,642,270
Net book value									
At cost	-	-	2,104,170	1,914,135	2,391,635	1,650,335	1,610,900	-	9,671,175
At valuation	48,555,243	37,456,571	-	-	-	-	-	-	86,011,814
At 30 June 2019	48,555,243	37,456,571	2,104,170	1,914,135	2,391,635	1,650,335	1,610,900	-	95,682,989

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

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

Group	Office equipment, furniture and										Capital work-in-progress	Total	
	Leasehold land	Leasehold buildings	Office fittings and computers	Motor vehicles	Plant and machineries	Warehouse equipment	Renovation	RM	RM	RM			RM
2018													
Cost/Valuation													
At 1 July 2017													
- At cost	-	-	5,193,413	7,550,350	3,360,890	1,940,874	2,618,233	3,220,216	23,883,976				
- At valuation	36,759,621	22,413,086	-	-	-	-	-	-	59,172,707				
	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				
Addition	-	-	249,192	52,805	-	731,372	3,273,589	-	4,306,958				
Disposal	-	-	(19,500)	(307,700)	-	(58,200)	-	-	(385,400)				
Written off (Note 10)	-	-	(2,550)	(93,000)	-	-	-	-	(95,550)				
Reclassification	-	-	-	-	-	-	3,220,216	(3,220,216)	-				
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				
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 (Note 10)	820,079	467,445	450,480	1,275,122	382,303	285,492	795,030	-	4,475,951				
Written back	-	-	(2,276)	(143,084)	-	(42,773)	-	-	(188,133)				
Written off (Note 10)	-	-	(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				
Net book value													
At cost	-	-	2,183,474	2,761,830	2,293,632	1,693,711	7,597,313	-	16,529,960				
At valuation	34,153,670	21,151,962	-	-	-	-	-	-	55,305,632				
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				

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

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

	Office equipment and computers	
	2019 RM	2018 RM
Company		
Cost		
At 1 July	119,246	118,993
Addition	97,046	253
At 30 June	216,292	119,246
Accumulated depreciation		
At 1 July	48,022	24,277
Charge for the financial year (Note 10)	40,746	23,745
At 30 June	88,768	48,022
Net book value		
30 June	127,524	71,224

Plant and equipment of the Group acquired under hire purchase arrangements are as follows:

	At cost RM	Accumulated depreciation RM	Net book value RM
Group			
2019			
Office equipment, furniture and fittings and computers	863,683	(222,301)	641,382
Motor vehicles	5,676,093	(4,196,962)	1,479,131
Plant and machineries	2,817,542	(1,499,929)	1,317,613
Warehouse equipment	745,845	(190,280)	555,565
	10,103,163	(6,109,472)	3,993,691
2018			
Office equipment, furniture and fittings and computers	863,683	(136,249)	727,434
Motor vehicles	5,723,075	(3,339,951)	2,383,124
Plant and machineries	2,817,542	(1,221,823)	1,595,719
Warehouse equipment	745,845	(79,619)	666,226
	10,150,145	(4,777,642)	5,372,503

Certain leasehold land and buildings of the Group with a carrying amount of RM51,615,146 (2018: RM28,357,979) had been pledged to licensed banks for banking facilities granted to the subsidiaries as disclosed in Note 26 to the financial statements.

The leasehold land and buildings of the Group was revalued during the financial year by independent professional valuers using a combination of depreciated replacement cost method and comparison method of valuation.

Had the leasehold land and buildings been carried under the cost model, the carrying amount would have been RM28,664,590 (2018: RM29,454,478).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

15. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2019 RM	2018 RM
Unquoted shares, at cost		
At 1 July	89,311,301	89,311,301
Increase in stake of a subsidiary	675,000	-
At 30 June	89,986,301	89,311,301

Details of the subsidiaries are as follows:

Name of subsidiary companies	Country of incorporation	Proportion of ownership interest		Principal activities
		2019 %	2018 %	
Kim Teck Cheong Sdn. Bhd. ("KTCSB")	Malaysia	100	100	Distribution of consumer packaged goods
Kim Teck Cheong Brands Sdn. Bhd. ("KTCBSB")	Malaysia	100	100	Brand owner and procurement
Kim Teck Cheong Distribution Sdn. Bhd. ("KTCDSB")	Malaysia	100	100	Distribution of consumer packaged goods
Kim Teck Cheong (Sarawak) Sdn. Bhd. ("KTCSSB")	Malaysia	100	80	Distribution of consumer packaged goods
Kim Teck Cheong (Tawau) Sdn. Bhd. ("KTCTSB")	Malaysia	100	100	Distribution of consumer packaged goods
Kim Teck Cheong (Borneo) Sdn. Bhd. ("KTCBOSB")	Malaysia	100	100	Distribution of consumer packaged goods
Creamos (Malaysia) Sdn. Bhd. ("Creamos")	Malaysia	100	100	Manufacture of bakery products
Popular Trading (Borneo) Corporation Sdn. Bhd. ("PTCSB")	Malaysia	100	100	Trading, general agents and distributors
Kim Teck Cheong TransPacific Sdn. Bhd. ("KTCTPSB")	Malaysia	100	100	Warehousing
Kim Teck Cheong Grandtop Sdn. Bhd. (Formerly known as Grandtop Marketing Sdn. Bhd.) ("KTCGTSB")*	Brunei	60	60	Distribution of consumer packaged goods

* Audited by firm of auditors other than PKF Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

15. INVESTMENTS IN SUBSIDIARY COMPANIES *cont'd*

Increase in stake of a subsidiary

On 14 February 2019, the Group acquired an additional 10,000 ordinary shares, representing 20% equity interest in KTCSSB, for a total consideration of RM675,000 satisfied by way of cash. As a result of that, KTCSSB became a wholly-owned subsidiary of the Group.

Following is a schedule of additional interest acquired in KTCSSB:

	RM
Cash consideration paid to non-controlling shareholders	675,000
Carrying value of the additional interest in KTCSSB	(1,236,033)
Difference recognised in retained profits	(561,033)

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:

Name of subsidiary companies	Country of incorporation	Ownership interest	
		2019 %	2018 %
KTCSSB	Malaysia	-	20
KTCGTSB	Malaysia	40	40

Carrying amount of material NCI:

Name of subsidiary companies	2019	Restated 2018
	RM	RM
KTCSSB	-	815,690
KTCGTSB	3,854,162	3,316,247
	3,854,162	4,131,937

Profit allocated to material NCI:

Name of subsidiary companies	2019	2018
	RM	RM
KTCSSB	258,905	73,165
KTCGTSB	572,774	1,261,564
	831,679	1,334,729

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

15. INVESTMENTS IN SUBSIDIARY COMPANIES *cont'd*

Non-controlling interests in subsidiaries *cont'd*

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

Total comprehensive income allocated to NCI:

Name of subsidiary companies	2019 RM	2018 RM
KTCSSB	258,905	73,165
KTCGTSB	699,353	1,115,646
	958,258	1,188,811

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	KTCGTSB RM
Summarised statements of financial position		
As at 30 June 2019		
Non-current assets	-	574,125
Current assets	-	49,131,570
Non-current liabilities	-	(99,892)
Current liabilities	-	(39,157,484)
Net assets	-	10,448,319

Summarised statements of profit or loss and other comprehensive income

Financial year ended 30 June 2019

Revenue	-	87,649,279
Profit for the financial year	-	1,431,936
Total comprehensive income	-	1,431,936

Summarised cash flow information

Financial year ended 30 June 2019

Net cash used in operating activities	-	(2,391,935)
Net cash used in investing activities	-	(260,214)
Net cash generated from financing activities	-	1,755,779
Net decrease in cash and cash equivalents	-	(896,370)
Dividends paid to non-controlling interests	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

15. INVESTMENTS IN SUBSIDIARY COMPANIES *cont'd*

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 Restated RM	KTCGTSB Restated RM
Summarised statements of financial position		
As at 30 June 2018		
Non-current assets	652,441	506,947
Current assets	44,084,419	40,940,172
Non-current liabilities	(67,458)	-
Current liabilities	(42,422,331)	(33,238,062)
Net assets	2,247,071	8,209,057
	KTCSSB RM	KTCGTSB RM
Summarised statements of profit or loss and other 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 generated 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

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

16. GOODWILL ON CONSOLIDATION

	Group	
	2019	2018
	RM	RM
Cost		
At 1 July 2017/30 June 2018/30 June 2019	5,981,384	5,981,384

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	
	2019	2018
	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 five (5) financial years. The key assumptions used for value-in-use calculations are:

	Group	
	2019	2018
Distribution operation		
Sales growth rate	4.90%	10.00%
Gross profit margin	11% - 18%	10% - 14%
Discount rate	5.30%	9.31%

Sales growth rate - The growth rate is based on gross domestic product growth rate from Bank Negara Malaysia.

Gross profit margin - Gross profit margin is based on past gross profit margin achieved.

Discount rate - Discount rate is based on weighted average cost of capital of the Group.

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

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

17. INTANGIBLE ASSET

	Group	
	2019 RM	2018 RM
Cost		
At 1 July/30 June	315,856	315,856
Accumulated amortisation		
At 1 July	236,892	157,928
Charge for the financial year (Note 10)	78,964	78,964
At 30 June	315,856	236,892
Net book value		
At 30 June	-	78,964

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 Kim Teck Cheong (Borneo) Sdn. Bhd. based on its future economic benefits arising from its distributorship as at the date of business combination.

18. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
At 1 July	(5,183,590)	(6,013,833)	(8,971)	127,135
Recognised in profit or loss (Note 12)	567,575	830,243	8,971	(136,106)
Recognised in other comprehensive income	(5,907,815)	-	-	-
At 30 June	(10,523,830)	(5,183,590)	-	(8,971)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

18. DEFERRED TAX ASSETS/(LIABILITIES) *cont'd*

The components of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Deferred tax assets				
Unabsorbed capital allowances	684,156	-	-	-
Unutilised tax losses	5,284,695	-	-	-
	5,968,851	-	-	-
Deferred tax liabilities				
Revaluation of property, plant and equipment	(43,934,791)	(19,318,895)	-	-
Temporary differences on qualifying property, plant and equipment	(5,883,352)	(2,279,396)	-	(37,382)
	(49,818,143)	(21,598,291)	-	(37,382)
	(43,849,292)	(21,598,291)	-	(37,382)
Tax rate	24%	24%	24%	24%
Deferred tax liabilities recognised	(10,523,830)	(5,183,590)	-	(8,971)

No deferred tax asset has been recognised for the following items:

	Group	
	2019	2018
	RM	RM
Temporary differences on qualifying property, plant and equipment	402,821	-
Unabsorbed capital allowances	117,366	-
Unutilised tax losses	1,104,014	503,140
	1,624,201	503,140
Tax rate	24%	24%
Deferred tax assets not recognised	389,808	120,754

The availability of unutilised tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to requirements under the Income Tax Act, 1967 and guidelines issued by the tax authority.

Pursuant to Section 11 of the Act 812 of Malaysia Finance Act, 2018, special provision relating to Sections 43 and 44 of Income Tax Act 1967, a time limit has been imposed on the unutilised tax losses, to be carried forward for a maximum of seven (7) consecutive years of assessment. This section has effect from the year of assessment 2019 and subsequent year of assessment. Any unutilised tax losses brought forward from year of assessment 2018 can be carried forward for another seven (7) years consecutive years of assessment (i.e. from year of assessments 2019 to 2025).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

19. INVENTORIES

	Group	
	2019 RM	2018 RM
Cost		
Trading inventories	111,258,140	102,604,013
Raw materials	234,011	355,106
Packaging materials	124,476	161,717
	111,616,627	103,120,836

The amount of inventories recognised as an expense in cost of sales of the Group was RM549,434,282 (2018: RM405,206,012).

20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM	Restated 2018 RM	2019 RM	Restated 2018 RM
Trade receivables				
- Amounts due from subsidiaries	-	-	-	3,473,767
- Third parties	118,904,663	104,044,504	-	-
	118,904,663	104,044,504	-	3,473,767
Less: Allowance for impairment				
- Amounts due from subsidiaries	-	-	-	(251,054)
- Third parties	(1,392,815)	(5,926,757)	-	-
	(1,392,815)	(5,926,757)	-	(251,054)
Trade receivables, net	117,511,848	98,117,747	-	3,222,713
Other receivables				
Other receivables				
- Amounts due from subsidiaries	-	-	21,109,054	17,170,103
- Related party	64,737	182,602	-	-
- Third parties	20,821,997	18,939,082	5,000	25,000
GST refundable	2,397,960	3,967,876	1,704	-
Deposits	836,843	1,029,283	9,800	2,000
Prepayments	1,262,003	1,128,106	55,529	37,400
	25,383,540	25,246,949	21,181,087	17,234,503
Less: Allowance for impairment				
- Amounts due from subsidiaries	-	-	(4,350,293)	(3,636,845)
- Third parties	(787,544)	(21,672)	-	-
	(787,544)	(21,672)	(4,350,293)	(3,636,845)
Other receivables, net	24,595,996	25,225,277	16,830,794	13,597,658
Total trade and other receivables	142,107,844	123,343,024	16,830,794	16,820,371

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

20. TRADE AND OTHER RECEIVABLES *cont'd*

Trade receivables are non-interest bearing and the normal credit terms granted by the Group and the Company are 30 to 90 (2018: 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 on initial recognition.

The non-trade amounts due from subsidiaries are unsecured, bear interest at rates ranging from 4.8% to 5.3% (2018: 4.5% to 4.8%) per annum and repayable on demand.

Amount due from a related party is unsecured, interest free and repayable on demand.

Included in other receivables are amounts of RM11,235,124 (2018: RM14,151,237), being incentives and claims receivable from trade suppliers in relation to trade-related activities.

During the financial year, the following losses were recognised in profit or loss in relation to impaired financial assets:

Group	Trade receivables RM	Other receivables RM	Total RM
At 1 July 2017	384,675	21,672	406,347
Charge for the financial year (Note 7)	43,566	-	43,566
Reversal of impairment during the the financial year (Note 7)	(157,555)	-	(157,555)
Written off	(69,750)	-	(69,750)
At 30 June 2018	200,936	21,672	222,608
Effect of adoption of MFRS 9	5,725,821	-	5,725,821
At 30 June 2018, restated	5,926,757	21,672	5,948,429
Charge for the financial year (Note 7)	366,435	787,544	1,153,979
Reversal of impairment during the the financial year (Note 7)	(4,900,377)	(21,672)	(4,922,049)
At 30 June 2019	1,392,815	787,544	2,180,359

Company	Trade receivables RM	Other receivables RM	Total RM
At 1 July 2017/ 30 June 2018	-	-	-
Effect of adoption of MFRS 9	251,054	3,636,845	3,887,899
At 30 June 2018, restated	251,054	3,636,845	3,887,899
Reversal of impairment during the the financial year (Note 7)	(251,054)	-	(251,054)
Charge for the financial year (Note 7)	-	713,448	713,448
At 30 June 2019	-	4,350,293	4,350,293

Information about the Group's exposure to credit risks and impairment losses for trade receivables is included in Note 31 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

21. CASH AND BANK BALANCES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances	11,677,450	6,791,981	654,807	1,439,373
Bank overdrafts (Note 26)	(34,863,334)	(40,035,609)	-	-
Cash and cash equivalents	(23,185,884)	(33,243,628)	654,807	1,439,373

22. SHARE CAPITAL

	No. of shares		Group/Company	
	2019	2018	2019	2018
Issued and fully paid:			RM	RM
Ordinary shares	510,277,000	510,277,000	75,358,515	75,358,515
Redeemable convertible preference shares ("RCPS")	24,001,858	24,001,858	24,001,858	24,001,858
	534,278,858	534,278,858	99,360,373	99,360,373

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.

The salient terms of the 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 and including the date of issuance of the RCPS on 1 July 2015;
- (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;
- (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 together with the holders of ordinary shares and entitled to one (1) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

22. SHARE CAPITAL *cont'd*

The salient terms of the RCPS are as follows (cont'd):

- (vi) each RCPS shall on winding-up or upon a reduction of capital or other repayment of capital (other than conversion of the RCPS) rank pari passu in all respect with the existing RCPS in issue and confer on each holder of the RCPS the right to receive in priority to the ordinary shareholders in the capital of the Company the cash repayment in full of the nominal amount (including premium payable, if any) of that RCPS after the payment and discharge of all debts and liabilities of the Company and the costs of winding up or capital reduction exercise;
- (vii) the RCPS will not be transferable upon issue and allotment throughout its tenure; and
- (viii) the new shares to be issued arising from the conversion of the RCPS shall, upon allotment and issue, rank pari passu in all respect with the then existing shares, except that the new shares shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the new shares.

23. OTHER RESERVES

Group 2019	Revaluation reserve RM	Exchange reserve RM	Total RM
At 1 July 2018	9,190,233	(300,386)	8,889,847
Revaluation surplus on leasehold land and buildings, net of deferred tax	18,708,081	-	18,708,081
Exchange differences on translation of a foreign operation	-	189,869	189,869
At 30 June 2019	27,898,314	(110,517)	27,787,797
At 1 July 2017	9,312,647	(81,509)	9,231,138
Realisation of revaluation reserve	(122,414)	-	(122,414)
Exchange differences on translation of a foreign operation	-	(218,877)	(218,877)
At 30 June 2018	9,190,233	(300,386)	8,889,847

Revaluation reserve

This reserve includes the cumulative net change, net of deferred tax effects, arising from the revaluation of leasehold land and buildings.

Exchange reserve

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

24. REORGANISATION DEFICIT

	Group	
	2019	2018
	RM	RM
At 1 July/30 June	(47,962,248)	(47,962,248)

The Company completed its Pre-IPO Reorganisation on 1 July 2015 and has accounted for the acquisition of KTCSB as a continuation of the acquired entity. Therefore, the difference between the purchase consideration to acquire KTCSB and the share capital of KTCSB was reflected as a reorganisation deficit.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

25. RETAINED PROFITS/(ACCUMULATED LOSSES)

The Group's and the Company's policy is to treat all gains and losses that pass through the statements of profit or loss and other comprehensive income (i.e. non-owner transactions or events) as revenue reserves. Other than retained profits, all other revenue reserves are regarded as non-distributable in the form of cash dividends to shareholders. Accumulated losses is the opposite of retained profits and when an entity is in an accumulated loss position, it is prohibited from distributing cash dividends to shareholders.

26. LOANS AND BORROWINGS

	Group	
	2019	2018
	RM	RM
Non-current		
Secured:		
Hire purchase payables	1,779,112	3,029,539
Term loans	18,110,106	17,389,247
	19,889,218	20,418,786
Current		
Secured:		
Bankers' acceptances	109,589,044	93,310,243
Bank overdrafts	34,863,334	40,035,609
Hire purchase payables	1,387,216	1,621,383
Revolving credit	18,000,000	18,000,000
Term loans	1,036,595	1,188,497
Trust receipts	19,121,636	16,954,638
	183,997,825	171,110,370
Total loans and borrowings		
Secured:		
Bankers' acceptances	109,589,044	93,310,243
Bank overdrafts (Note 21)	34,863,334	40,035,609
Hire purchase payables	3,166,328	4,650,922
Revolving credit	18,000,000	18,000,000
Term loans	19,146,701	18,577,744
Trust receipts	19,121,636	16,954,638
	203,887,043	191,529,156
Maturity structure of loans and borrowings		
Within one year	183,997,825	171,110,370
Between one to five years	6,626,554	6,782,855
More than five years	13,262,664	13,635,931
	203,887,043	191,529,156

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

26. LOANS AND BORROWINGS *cont'd*

The interest rate structures are as follows:

	Effective interest rate per annum	
	2019	2018
Bankers' acceptances	3.75% to 7.03%	3.88% to 7.03%
Bank overdrafts	6.89% to 8.39%	7.21% to 8.54%
Hire purchase payables	4.47% to 7.36%	3.00% to 6.45%
Revolving credit	5.01%	4.80%
Term loans	4.34% to 5.54%	4.35% to 6.60%
Trust receipts	6.00%	6.00%

The loans and borrowings are secured by the followings:

- (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 14 to the financial statements;
- (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.

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade payables				
Third parties	36,421,823	23,804,683	280,000	-
Other payables				
Other payables				
- Amounts due to Directors	13,451	34,534	-	-
- Amounts due to subsidiaries	-	-	17,853,453	18,044,677
- Amount due to immediate holding company	-	24,349	-	24,349
- Third parties	1,601,628	7,308,698	41,713	160,511
GST payable	-	223,401	-	31,910
Deposits payable	1,815,808	2,095,822	-	-
Accruals	2,146,786	1,370,005	423,726	47,000
	5,577,673	11,056,809	18,318,892	18,308,447
Total trade and other payable	41,999,496	34,861,492	18,598,892	18,308,447

Trade payables are non-interest bearing and the normal credit terms granted to the Group range from 30 to 90 (2018: 30 to 90) days.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

27. TRADE AND OTHER PAYABLES *cont'd*

Amounts due to Directors, subsidiaries and immediate holding company are unsecured, interest free and repayable on demand.

Included in deposits payable of the Group are trade security deposits from customers amounting to RM1,704,608 (2018: RM1,984,622).

28. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Identities of related parties

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

(b) Related parties' transactions and outstanding balances

The aggregate value of transactions and outstanding balances of the related parties of the Group and the Company were as follows:

Name of related parties	Type of transactions	Transaction value		Balance outstanding at 30 June	
		2019 RM	2018 RM	2019 RM	2018 RM
Group					
Immediate holding company:					
Kim Teck Cheong Holdings Sdn. Bhd.	Settlement of accounts	24,349	-	-	(24,349)
Common Director with a subsidiary:					
Syarikat Berlian Jaya	Bad debts written off	117,865	-	64,737	182,602
Director of a subsidiary:					
Woo Chung Heng	Settlement of accounts	21,083	-	(13,451)	(34,534)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

28. SIGNIFICANT RELATED PARTY TRANSACTIONS *cont'd*

(b) Related parties' transactions and outstanding balances *cont'd*

The aggregate value of transactions and outstanding balances of the related parties of the Group and the Company were as follows (cont'd):

Name of related parties	Type of transactions	Transaction value		Balance outstanding at 30 June	
		2019 RM	2018 RM	2019 RM	2018 RM
Company					
Subsidiaries:					
KTCSB	Interest expense	17,143	-	143,506	(532,692)
	Interest income	(8,171)	-	-	-
	Management fee income	(1,899,887)	(1,565,055)	-	-
KTCBSB	Interest income	(146,553)	(97,885)	2,435,746	2,818,039
	Reversal of allowance for impairment	(852,127)	-	-	-
KTCDSB	Interest expense	964	-	3,658,051	4,543,562
	Interest income	(268,991)	-	-	-
	Management fee income	(676,403)	(640,351)	-	-
KTCSSB	Interest income	(416,005)	(33,477)	7,898,727	6,770,287
	Management fee income	(1,323,374)	(425,564)	-	-
KTCTSB	Interest expense	93,512	67,105	(1,855,170)	(1,782,306)
	Management fee income	-	(15,113)	-	-
KTCBOSB	Interest income	(248,179)	(40,025)	5,296,160	2,436,841
	Management fee income	(1,475,608)	(1,307,535)	-	-
	Allowance for impairment	1,565,575	-	-	-
Creamos	Interest income	(90,953)	-	1,676,864	1,738,396
	Management fee income	(66,307)	(55,065)	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

28. SIGNIFICANT RELATED PARTY TRANSACTIONS *cont'd*

(b) Related parties' transactions and outstanding balances *cont'd*

The aggregate value of transactions and outstanding balances of the related parties of the Group and the Company were as follows (cont'd):

Name of related parties	Type of transactions	Transaction value		Balance outstanding at 30 June	
		2019 RM	2018 RM	2019 RM	2018 RM
Company					
Subsidiaries:					
PTCSB	Interest income	(26,868)	(28,191)	-	998,544
	Management fee income	-	(13,256)	-	-
KTCGTSB	Interest expense	919,021	-	(15,998,283)	(14,391,478)
	Management fee income	(882,179)	(526,727)	-	-
Immediate holding company:					
Kim Teck Cheong Holdings Sdn. Bhd.	Settlement of accounts	24,349	-	-	(24,349)

(c) Compensation of key management personnel

The remuneration of Directors and other members of key management during the financial year was as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Short-term employee benefits	2,535,276	2,045,077	2,227,670	2,045,077
Other emoluments	885,576	96,087	846,626	96,087
	3,420,852	2,141,164	3,074,296	2,141,164
Included in the key management personnel are:				
Directors' remuneration (Note 9)	2,528,988	1,802,207	2,528,988	1,802,207
Key management personnels' remuneration	891,864	338,957	545,308	338,957
	3,420,852	2,141,164	3,074,296	2,141,164

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly, including any Director of the Group and of the Company.

The terms and conditions and prices of the above transactions are mutually agreed between the parties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

29. FINANCIAL GUARANTEES

The fair value of financial guarantees provided by the Company to the banks to secure banking facilities granted to subsidiaries as disclosed in Note 26 to the financial statements with nominal amount of RM148,372,556 (2018: RM137,683,935) are negligible as 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.

30. COMMITMENTS

(a) Capital commitments

	Group	
	2019	2018
	RM	RM
Authorised and contracted for:		
- Property, plant and equipment	-	1,293,000

(b) Operating lease commitments

The Group as lessee

The Group has entered into non-cancellable operating lease agreements for the lease of a number of warehouses for terms of two (2) to ten (10) years.

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

	Group	
	2019	2018
	RM	RM
Within one year	1,623,772	1,724,388
Between one to five years	2,941,052	3,750,046
After five years	222,000	780,000
	4,786,824	6,254,434

The Group as lessor

The Group has entered into non-cancellable lease arrangements by leasing its warehouses for lease terms of one (1) to two (2) years.

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

	Group	
	2019	2018
	RM	RM
Within one year	12,000	44,100
Between one to five years	2,400	6,800
	14,400	50,900

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

Group	2019		2018	
	Carrying amount	Financial assets measured at amortised cost	Carrying amount	Loans and receivables
Financial assets	RM	RM	RM	RM
Trade and other receivables	138,447,881	138,447,881	118,247,042	118,247,042
Cash and bank balances	11,677,450	11,677,450	6,791,981	6,791,981
Total financial assets	150,125,331	150,125,331	125,039,023	125,039,023

Company	2019		2018	
	Carrying amount	Financial assets measured at amortised cost	Carrying amount	Loans and receivables
Financial assets	RM	RM	RM	RM
Trade and other receivables	16,773,561	16,773,561	16,782,971	16,782,971
Cash and bank balances	654,807	654,807	1,439,373	1,439,373
Total financial assets	17,428,368	17,428,368	18,222,344	18,222,344

Group	2019		2018	
	Carrying amount	Financial liabilities measured at amortised cost	Carrying amount	Financial liabilities measured at amortised cost
Financial liabilities	RM	RM	RM	RM
Trade and other payables	41,999,496	41,999,496	34,638,091	34,638,091
Loans and borrowings	203,887,043	203,887,043	191,529,156	191,529,156
Total financial liabilities	245,886,539	245,886,539	226,167,247	226,167,247

Company	2019		2018	
	Carrying amount	Financial liabilities measured at amortised cost	Carrying amount	Financial liabilities measured at amortised cost
Financial liabilities	RM	RM	RM	RM
Trade and other payables	18,598,892	18,598,892	18,276,537	18,276,537

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

31. FINANCIAL INSTRUMENTS *cont'd*

(a) Categories of financial instruments *cont'd*

A reconciliation of trade and other receivables financial assets to the amounts reflected in the Statements of Financial Position is as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade and other receivables				
As reflected in the Statements of Financial Position (Note 20)	142,107,844	123,343,024	16,830,794	16,820,371
Less: Prepayment	(1,262,003)	(1,128,106)	(55,529)	(37,400)
GST refundable	(2,397,960)	(3,967,876)	(1,704)	-
Financial assets measured at amortised cost/Loans and receivables	138,447,881	118,247,042	16,773,561	16,782,971

A reconciliation of trade and other payables financial assets to the amounts reflected in the Statements of Financial Position is as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade and other payables				
As reflected in the Statements of Financial Position (Note 27)	41,999,496	34,861,492	18,598,892	18,308,447
Less: GST payable	-	(223,401)	-	(31,910)
Financial liabilities measured at amortised cost	41,999,496	34,638,091	18,598,892	18,276,537

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

31. FINANCIAL INSTRUMENTS *cont'd*

(b) Net gains/(losses) arising from financial instruments

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Net gains/(losses) arising from:				
Financial assets measured at amortised cost/Loans and receivables				
- Bad debts written off	(876,026)	(149,785)	-	-
- Deposits written off	(113,700)	-	-	-
- Reversal of/(Allowance for) impairment on financial assets	3,768,070	113,989	(462,394)	-
- Interest income	1,369,342	238,534	1,223,073	185,090
- Other receivables written off	-	(8,858,390)	-	-
- Prepayments written off	-	(384,154)	-	-
- Realised (loss)/gain on foreign exchange	(420,412)	(399,918)	-	16
- Reversal of bad debts written off	282	-	-	-
Financial liabilities measured at amortised cost				
- Interest expenses	(10,950,850)	(7,885,652)	(1,030,640)	-
- Liabilities no longer in existence written back	100,337	1,428,926	-	-
- Trade deposits written back	182,460	-	-	-
	(6,940,497)	(15,896,450)	(269,961)	185,106

(c) Financial risk management

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

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 risks. The Board of Directors reviews and agrees to procedures and policies for management of these risks.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(*cont'd*)

31. FINANCIAL INSTRUMENTS *cont'd*

(c) Financial risk management *cont'd*

(i) Credit risk *cont'd*

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

As 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; and
- A nominal amount of RM148,372,556 (2018: RM137,683,935) relating to corporate guarantees provided by the Company to the banks to secure banking facilities granted to the subsidiaries.

Trade receivables

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay amounts subject to the write-off. Nevertheless, trade receivables and contract asset that are written off could still be subject to enforcement activities.

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statements of financial position.

The Group has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

31. FINANCIAL INSTRUMENTS *cont'd*

(c) Financial risk management *cont'd*

(i) Credit risk *cont'd*

Trade receivables *cont'd*

The ageing analysis of the Group's and the Company's trade receivables as at the reporting date is as follows:

	Group		Company	
	2019	Restated 2018	2019	Restated 2018
	RM	RM	RM	RM
Not past due	45,158,872	65,530,397	-	1,050,497
Past due:				
- less than 30 days	41,570,449	17,537,690	-	-
- between 31 to 60 days	21,451,414	11,291,596	-	539,503
- between 61 to 90 days	5,647,324	5,076,188	-	590,011
- more than 90 days	5,076,604	4,608,633	-	1,293,756
	73,745,791	38,514,107	-	2,423,270
	118,904,663	104,044,504	-	3,473,767
Less: Allowance for impairment	(1,392,815)	(5,926,757)	-	(251,054)
	117,511,848	98,117,747	-	3,222,713

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for the trade receivables. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables without repayment are written off if past due for more than four (4) years and are not subject to enforcement activity.

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

Inter-company advances

The Company provides advances to subsidiaries. The Company monitors the ability of the subsidiaries to repay the advances on an individual basis and considers advances to subsidiaries to have low credit risks.

The Company determines the probability of default for these advances individually using internal information available.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position. Advances provided are not secured by any collateral or supported by any other credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

31. FINANCIAL INSTRUMENTS *cont'd*

(c) Financial risk management *cont'd*

(i) Credit risk *cont'd*

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

These banks and financial institutions have low credit risks. Consequently, the Group and the Company are of the view that loss allowance is not material and hence, it is not provided for.

(ii) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

Analysis of financial instruments by remaining contractual maturities

The following table sets out the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

Group	Carrying amount RM	Contractual undiscounted cashflows RM	Within One (1) year RM	One (1) to Five (5) years RM	Over Five (5) years RM
2019					
Financial liabilities					
Trade and other payables	41,999,496	41,999,496	41,999,496	-	-
Loans and borrowings	203,887,043	208,456,985	184,641,118	8,866,055	14,949,812
	245,886,539	250,456,481	226,640,614	8,866,055	14,949,812
2018					
Financial liabilities					
Trade and other payables	34,638,091	34,638,091	34,638,091	-	-
Loans and borrowings	191,529,156	195,632,122	170,386,591	12,646,999	12,598,532
	226,167,247	230,270,213	205,024,682	12,646,999	12,598,532

NOTES TO THE FINANCIAL STATEMENTS

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(cont'd)

31. FINANCIAL INSTRUMENTS *cont'd*

(c) Financial risk management *cont'd*

(ii) Liquidity risk *cont'd*

Analysis of financial instruments by remaining contractual maturities

Company	Carrying amount RM	Contractual undiscounted cashflows RM	Within One (1) year RM	One (1) to Five (5) years RM	Over Five (5) years RM
2019					
Financial liabilities					
Trade and other payables	18,598,892	18,598,892	18,598,892	-	-
2018					
Financial liabilities					
Trade and other payables	18,276,537	18,276,537	18,276,537	-	-

At the reporting date, the counterparty to the financial guarantees does not have a right to demand cash as the default has not occurred. Accordingly, financial guarantees under the scope of MFRS 9 *Financial Instruments: Recognition and Measurement* are not included in the above maturity profile analysis.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises mainly 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.

Sensitivity analysis for interest rate risk

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:

	Group	
	Increase/(Decrease) 2019 RM	2018 RM
Effects on profit/(loss) after taxation		
Increase of 15bp (2018: 50bp)	(225,335)	710,137
Decrease of 15bp (2018: 50bp)	225,335	(710,137)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

31. FINANCIAL INSTRUMENTS *cont'd*

(c) Financial risk management *cont'd*

(iv) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in foreign exchange rate.

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.

32. FAIR VALUE INFORMATION

Fair value is defined 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 Group uses the following fair value hierarchy for determining and disclosing the fair value by valuation technique:

Level 1 : quoted (unadjusted) prices in active market for identical assets or liabilities

Level 2 : other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3 : techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As at the reporting date, the Group held the following at fair value in the statement of financial position:

2019	Carrying amount	Level 1	Level 2	Level 3
Non-financial assets	RM	RM	RM	RM
Property, plant and equipment				
- Leasehold land	48,555,243	-	48,555,243	-
- Leasehold buildings	37,456,571	-	37,456,571	-
	86,011,814	-	86,011,814	-
2018	Carrying amount	Level 1	Level 2	Level 3
Non-financial assets	RM	RM	RM	RM
Property, plant and equipment				
- Leasehold land	34,153,670	-	34,153,670	-
- Leasehold buildings	21,151,962	-	21,151,962	-
	55,305,632	-	55,305,632	-

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

32. FAIR VALUE INFORMATION *cont'd*

The valuation of leasehold land and buildings was based on the valuation techniques as follows:

(i) Comparison method

Sales prices of comparable leasehold land and buildings in close proximity were adjusted for differences in key attributes such as date of transactions, location, condition, accessibility, size, shape, topography, tenure, title restrictions and surrounding developments. The most significant input into this valuation method was price per square metre of comparative properties.

(ii) Depreciated replacement cost method

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

The financial assets and financial liabilities maturing within the next twelve (12) months approximated their fair values due to the relatively short-term maturity of the financial instruments.

The carrying amount of the variable rate term loans approximated their fair value as the loans will be re-priced to market interest rate on or near reporting date.

The fair values of obligations under hire purchase are determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting period.

Financial guarantees

The fair value of financial guarantees is determined based on probability weighted discounted cash flow method. The probability has been estimated and assigned using the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default; and
- The estimated loss exposure if the guaranteed party were to default.

The financial guarantees have not been recognised in the financial statements of the Group as the requirements to reimburse are remote and the Group does not expect to incur material losses under these corporate guarantees. As at 30 June 2019, there was no indication that the subsidiaries would default on payments.

33. 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 gearing ratio. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus payables less cash and bank balances.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

33. CAPITAL MANAGEMENT *cont'd*

The gearing ratio of the Group and of the Company as at the end of the reporting period was as follows:

	Group		Company	
	2019	Restated 2018	2019	Restated 2018
	RM	RM	RM	RM
Loans and borrowings	203,887,043	191,529,156	-	-
Trade and other payables	41,999,496	34,861,492	18,598,892	18,308,447
Less: Cash and bank balances	(11,677,450)	(6,791,981)	(654,807)	(1,439,373)
Net debt	234,209,089	219,598,667	17,944,085	16,869,074
Total equity	110,726,568	80,382,438	88,967,372	89,259,212
Gearing ratio	212%	273%	20%	19%

Under the requirements of Bursa Malaysia Guidance Note 3, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid up capital (excluding treasury shares). The Group has complied with this requirement. There are no other external capital requirements imposed on the Group and the Company.

34. SEGMENT INFORMATION

(i) Operating segment

For management purposes, the Group is organised into business units based on its products and services, and has three (3) 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 profit or loss and other 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

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

34. SEGMENT INFORMATION *cont'd*

(i) Operating segment *cont'd*

2019	Note	Distribution RM	Manufacturing RM	Others RM	Adjustments and elimination RM	Total RM
Revenue						
Revenue from external customers	(a)	618,359,392	6,617,090	-	-	624,976,482
Inter-segment revenue		1,605,347	-	6,323,758	(7,929,105)	-
Total revenue		619,964,739	6,617,090	6,323,758	(7,929,105)	624,976,482
Results						
Amortisation of intangible asset		78,964	-	-	-	78,964
Interest income		(2,701,802)	(14,987)	(1,223,073)	2,570,520	(1,369,342)
Interest expense		11,896,792	593,938	1,030,640	(2,570,520)	10,950,850
Depreciation of property, plant and equipment		2,957,586	808,723	-	381,595	4,147,904
Rental expenses:						
- warehouses and offices		1,621,518	750	-	(612,000)	1,010,268
- office equipment		11,230	-	26,167	-	37,397
Other non-cash expenses	(b)	387,247	220,407	-	-	607,654
Segment profit after tax	(c)	14,112,586	(15,857)	(291,840)	(1,810,288)	11,994,601
Assets						
Additions to non-current assets (excluding financial assets and deferred tax assets)	(d)	2,754,523	511,032	97,046	-	3,362,601
Segment assets	(e)	400,590,950	17,057,703	107,599,426	(157,279,542)	367,968,537
Liabilities						
Segment liabilities	(f)	312,971,188	13,627,913	18,632,054	(87,989,186)	257,241,969

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

34. SEGMENT INFORMATION *cont'd*

(i) Operating segment *cont'd*

2018	Note	Distribution RM	Manufacturing RM	Others RM	Adjustments and elimination RM	Total RM
Revenue						
Revenue from external customers	(a)	453,790,173	5,430,843	-	-	459,221,016
Inter-segment revenue		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 expenses:						
- 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 (restated)	(e)	466,257,076	13,972,597	4,590,369	(172,040,450)	312,779,592
Liabilities						
Segment liabilities	(f)	304,830,770	13,164,360	3,629,115	(89,227,091)	232,397,154

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

34. SEGMENT INFORMATION *cont'd*

(i) Operating segment *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:

	2019 RM	2018 RM
Bad debts written off	876,026	149,785
Deposits written off	113,700	-
Gain on disposal of property, plant and equipment	-	(60,732)
Impairment on financial assets	(2,637,576)	(113,989)
Inventories written off	2,538,583	2,660,694
Liabilities no longer in existence written back	(100,337)	(1,428,926)
Other receivables written off	-	8,858,390
Property, plant and equipment written off	-	54,798
Prepayments written off	-	384,154
Reversal of bad debts written off	(282)	-
Trade deposits written back	(182,460)	-
	607,654	10,504,174

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

	2019 RM	2018 RM
Profit from inter-segment sales	(797,641)	(2,770,276)
Unallocated corporate expenses	7,967,438	5,240,685
Other income	(8,999,037)	(3,024,993)
Tax expenses	18,952	18,952
	(1,810,288)	(535,632)

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

	2019 RM	2018 RM
Property, plant and equipment	3,362,601	4,306,958

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

	2019 RM	2018 RM
Inter-segment assets	(157,279,542)	(172,040,450)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

34. SEGMENT INFORMATION *cont'd*

(i) Operating segment *cont'd*

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

	2019	2018
	RM	RM
Inter-segment liabilities	(87,989,186)	(89,227,091)

(ii) Geographical information

The following table provides an analysis of the Group's revenue by geographical segment:

	2019	2018
	RM	RM
Revenue from sales to external customers by location of the customers		
Sabah	318,327,984	287,829,041
Sarawak	190,984,411	117,349,339
Labuan and others	115,664,087	54,042,636
	624,976,482	459,221,016

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	Sarawak	Brunei	Total
	RM	RM	RM	RM
2019				
Property, plant and equipment	92,700,328	2,408,536	574,125	95,682,989
Goodwill on consolidation	4,164,013	1,817,371	-	5,981,384
Intangible asset	-	-	-	-
	96,864,341	4,225,907	574,125	101,664,373
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
Intangible asset	78,964	-	-	78,964
	72,954,179	4,434,814	506,947	77,895,940

(iii) Major customers

There is no major customer with revenue equal or more than ten percent (10%) of the revenue of the Group during the current and previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(cont'd)

35. COMPARATIVE FIGURES

Amendments made by MFRS 9 to MFRS 139 introduced additional line items that are required to be presented in the statement of profit or loss and other comprehensive income. Consequently, the Group has disaggregated as follows:

- (i) the reversal of allowance for impairment on trade and other receivables from other operating income; and
- (ii) the allowance for impairment on trade and other receivables from other expenses.

The adoption of the new 'expected credit loss' (ECL) impairment model under MFRS 9 which replaces the 'incurred loss' impairment model in MFRS 139 also results in additional allowance for impairment on trade and other receivables.

There are several changes in the presentation of comparative information, as follows:

	As previously stated RM	Adjustment RM	As restated RM
Group			
Statement of profit or loss and other comprehensive income			
Other operating income	7,945,667	(157,555)	7,788,112
Impairment on financial assets	-	113,989	113,989
Other expenses	(12,567,478)	43,566	(12,523,912)
Statement of financial position			
Trade and other receivables	129,068,845	(5,725,821)	123,343,024
Retained profits	21,491,999	(5,529,470)	15,962,529
Non-controlling interests	4,328,288	(196,351)	4,131,937
Company			
Statement of financial position			
Trade and other receivables	20,708,270	(3,887,899)	16,820,371
Accumulated losses	(6,213,262)	(3,887,899)	(10,101,161)

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
(cont'd)

36. MATERIAL LITIGATION

On 6 May 2019, a Writ was submitted by Wipro Unza (Malaysia) Sdn. Bhd. (Wipro) to a subsidiary of the Company, namely, Kim Teck Cheong (Sarawak) Sdn. Bhd. (KTCSSB) to the High Court in Sabah and Sarawak at Sibul claiming for a sum of RM1,507,694, being the balance of price for goods sold and delivered by Wipro to KTCSSB for which the said balance is still due and owing to Wipro despite repeated requests and demand from Wipro and/or its representative.

KTCSSB has filed a Statement of Defence on 2 July 2019 stating that at all material times, there were discrepancies in the amount alleged to be owed by KTCSSB due to, inter alia, overpayments, trade returns and stock transfers. Following an account reconciliation exercise initiated by KTCSSB on 9 February 2018, Wipro's solicitors subsequently alleged in letters dated 12 February 2018 and 13 March 2018 that the total amount owed by KTCSSB together with another two (2) subsidiaries of the Company, namely, Kim Teck Cheong Sdn. Bhd. and Kim Teck Cheong (Tawau) Sdn. Bhd. was RM1,382,341 only, which was a far lesser amount than the amount previously demanded or claimed therein.

Wipro further replied to the Defence of KTCSSB on 12 July 2019 that the sum of RM1,507,694 remains the outstanding sum to Wipro.

The said litigation is now being proceeded for mediation at the High Court, Sibul and the solicitor of KTCSSB is of the opinion that it is highly likely that Wipro and KTCSSB should be able to reach an amicable settlement through mediation.

GROUP'S PROPERTIES

AS AT 30 JUNE 2019

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 2019 RM
Creamos Malaysia	<p>Title Master Title CL 015585501, District of Kota Kinabalu, State of Sabah</p> <p>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")</p>	<p>Description Industrial land with a detached 3-storey office cum single-storey warehouse building</p> <p>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.</p> <p>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.</p>	<p>Approximate age of the building 10 years</p> <p>Tenure 99 years expiring 31 December 2098</p>	81,457/ 20,595	31 December 2018	10,478,249
KTC Distribution	<p>Title Master Title CL 015585501, District of Kota Kinabalu, State of Sabah</p> <p>Address Lot No. 5, Jalan 1F K.K.I.P, Kota Kinabalu Industrial Park (KKIP), Industrial Zone 4 (IZ4), 88460 Kota Kinabalu, Sabah</p>	<p>Description Industrial land with a detached single-storey warehouse/cold room storage industrial building</p> <p>Existing Use Entire building is used by KTC Distribution as office and warehouse storage.</p>	<p>Approximate age of the building 6 years</p> <p>Tenure 99 years expiring on 31.12.2098</p>	105,809/ 50,108	12 October 2018	16,500,547

GROUP'S PROPERTIES

AS AT 30 JUNE 2019

(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 2019 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 36 years and 31 years (for extended warehouse) Tenure 60 years expiring on 31.12.2034	53,580/ 26,600	31 December 2018	14,758,405
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 13 years Tenure 60 years expiring on 31.12.2072	20,076/ 11,592	31 December 2018	6,036,675

GROUP'S PROPERTIES

AS AT 30 JUNE 2019

(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 2019 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 13 years Tenure 60 years expiring on 31.12.2072	19,540/ 11,592	31 December 2018	5,937,596
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 25 years Tenure 60 years expiring on 31.12.2070	42,857/ 17,600	31 December 2018	12,167,068
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 9 years Tenure 99 years expiring on 31.12.2101	35,761/ 22,974	31 December 2018	7,685,410

GROUP'S PROPERTIES

AS AT 30 JUNE 2019

(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 2019 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 11 years Tenure 60 years expiring on 14.06.2065	130,674/ 45,000	31 December 2018	9,877,945

ANALYSIS OF SHAREHOLDINGS

AS AT 1 OCTOBER 2019

Issued and fully paid-up Share Capital	:	RM51,027,700 divided into 510,277,000 Ordinary Shares and RM24,001,858 divided into 24,001,858 Redeemable Convertible Preference Shares
Class of Shares	:	Ordinary Shares Redeemable Convertible Preference Shares
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	:	2,285

DISTRIBUTION OF ORDINARY SHAREHOLDINGS

Size of Holdings	No. of Shareholders	%	No. of Shares	%
1 – 99	12	0.525	384	0.000
100 – 1,000	142	6.214	83,806	0.016
1,001 – 10,000	685	29.978	4,634,960	0.908
10,001 – 100,000	1,212	53.041	47,592,750	9.326
100,001 – 25,513,849 (*)	233	10.196	89,688,100	17.576
25,513,850 and above (**)	1	0.043	368,277,000	72.171
Total	2,285	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 1 OCTOBER 2019

(cont'd)

SUBSTANTIAL SHAREHOLDERS

As per the Register of Substantial Shareholders

Name	Direct	Shareholdings		
		%	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
Mr. Lau Wei Dick @ Dexter Dick Lau	-	-	368,277,000 ⁽²⁾	72.17
Mr. Benedick Vicpaul Lau	-	-	368,277,000 ⁽²⁾	72.17
Ms. 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/her family member's shareholdings in Kim Teck Cheong Holdings Sdn Bhd and Kim Teck Cheong Capital Sdn Bhd pursuant to Sections 197 of the Act.

DIRECTORS' INTERESTS IN SHARES

As per the Register of Directors' Shareholdings

Name	Direct	Shareholdings		
		%	Indirect	%
Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra	-	-	-	-
Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing	-	-	368,277,000 ⁽¹⁾	72.17
Y. Bhg. Datin Lim Fook Len @ Lim Su Chin	-	-	-	-
Mr. Lau Wei Dick @ Dexter Dick Lau	-	-	368,277,000 ⁽²⁾	72.17
Mr. Lim Hui Kiong	-	-	368,277,000 ⁽²⁾	72.17
Ms. Phang Sze Fui	-	-	-	-
Y. Bhg. Dato' Mohd Ibrahim Bin Mohd Nor	-	-	-	-
Madam 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/her family member's shareholdings in Kim Teck Cheong Holdings Sdn Bhd and Kim Teck Cheong Capital Sdn Bhd pursuant to Sections 197 of the Act.

ANALYSIS OF SHAREHOLDINGS

AS AT 1 OCTOBER 2019

(cont'd)

DIRECTORS' INTERESTS IN RCPS

As per the Register of Directors' Shareholdings

Name	Direct	Shareholdings		
		%	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	-	-	-	-
Mr. Lau Wei Dick @ Dexter Dick Lau	-	-	24,001,858 ⁽²⁾	100.00
Mr. Lim Hui Kiong	-	-	24,001,858 ⁽²⁾	100.00
Ms. Phang Sze Fui	-	-	-	-
Y. Bhg. Dato' Mohd Ibrahim Bin Mohd Nor	-	-	-	-
Madam 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/her family member's shareholdings in Kim Teck Cheong Holdings Sdn Bhd and Kim Teck Cheong Capital Sdn Bhd pursuant to Sections 197 of the Act.

THIRTY (30) LARGEST SHAREHOLDERS

No.	Name	Shareholdings	%
1.	KIM TECK CHEONG HOLDINGS SDN BHD	368,277,000	72.171
2.	LIEW SIEW KIAN	8,514,100	1.668
3.	TASEC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR TA INVESTMENT MANAGEMENT BERHAD (CLIENTS)	6,497,300	1.273
4.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIAH SONG LIN	4,865,900	0.953
5.	HO TAU TAI	3,629,700	0.711
6.	NG CHOON CHUAN	1,766,600	0.346
7.	LOW KAM FATT	1,600,000	0.313
8.	MOHD AZEEM SHAH BIN AZIZ MOHAMMED	1,300,000	0.254
9.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH WAN XIAN (E-TAI)	1,276,200	0.250
10.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIU SHET MUI (E-KKU)	1,220,100	0.239
11.	DAVID LING HOWE KIM	1,005,300	0.197
12.	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE CHEE KEONG (STA 5)	934,800	0.183
13.	PUBLIC NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHANG MAH THIANG (E-LBG)	924,100	0.181
14.	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR NG LAY PING	900,000	0.176
15.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH WAI CHUAN	800,000	0.156

ANALYSIS OF **SHAREHOLDINGS**

AS AT 1 OCTOBER 2019

*(cont'd)***THIRTY (30) LARGEST SHAREHOLDERS** *cont'd*

No.	Name	Shareholdings	%
16.	TAN SIEW LI	800,000	0.156
17.	HUI YU YANG	750,000	0.146
18.	LEE HUANG HUI	710,000	0.139
19.	YONG YEE YIN	700,000	0.137
20.	LOH SHIN YEAN	650,000	0.127
21.	KENANGA NOMINEES (TEMPATAN) SDN BHD <i>SOON EWE AIK (PCS)</i>	645,000	0.126
22.	YEO ENG CHONG @ YEO YONG CHONG	630,000	0.123
23.	KOW AH LOY	609,900	0.119
24.	LIM YAU CHONG	608,500	0.119
25.	SIE KHENG SIANG	601,800	0.117
26.	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LEE YONG KEE</i>	600,000	0.117
27.	LIM SOO HOON	560,100	0.109
28.	HO SU HIANG	551,700	0.108
29.	LING YEW FANG	550,000	0.107
30.	THANGAMUTHU A/L KALAIYANAN	535,000	0.104
		413,013,100	80.925

LIST OF RCPS HOLDER

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

NOTICE OF THE FIFTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifth Annual General Meeting of Kim Teck Cheong Consolidated Berhad (“KTC” or “Company”) will be held at Kim Teck Cheong Consolidated Berhad, Lot 73, Jalan Kilang SEDCO Light Industrial Estate Mile 5 ½, Jalan Tuaran 88450 Kota Kinabalu, Sabah, Malaysia on Monday, 9 December 2019 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 2019 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 RM253,500 for the financial year ended 30 June 2019; | Resolution 1 |
| | (ii) Directors’ fees of up to RM260,160 from 1 July 2019 up to the next Annual General Meeting of the Company to be held in 2020; and | Resolution 2 |
| | (iii) Meeting allowance of RM40,000 from 1 July 2019 up to the next Annual General Meeting of the Company to be held in 2020. | Resolution 3 |
| 3. | To re-elect the following Directors who retire by rotation pursuant to Article 85 of the Company’s Articles of Association: | |
| | (i) Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing | Resolution 4 |
| | (ii) Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra | Resolution 5 |
| | (iii) Mr. Lau Wei Dick @ Dexter Dick Lau | Resolution 6 |
| 4. | To re-elect Y. Bhg. Dato’ Mohd Ibrahim Bin Mohd Nor as the Director who retire by rotation pursuant to Article 92 of the Company’s Articles of Association. | Resolution 7 |
| 5. | To re-appoint Messrs. PKF Malaysia as the 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 |
| | <ul style="list-style-type: none"> • Authority for Directors to allot and issue shares pursuant to Section 76 of the Companies Act, 2016 <p>“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.”</p> | |

NOTICE OF THE FIFTH ANNUAL GENERAL MEETING

(cont'd)

7. SPECIAL RESOLUTION

Resolution 10

- **Proposed Adoption of New Constitution of the Company (“Proposed Adoption of New Constitution”)**

“**THAT** the existing Memorandum and Articles of Association of the Company be revoked and that the new Constitution as set out in the Appendix A to Shareholders dated 31 October 2019 accompanying the Company’s 2019 Annual Report be replaced thereof and adopted as the new Constitution of the Company with immediate effect.

AND THAT the Directors of the Company be authorised to do all acts and things and take all such steps that may be necessary and/or expedient to give effect to the Proposed Adoption of New Constitution with full power to assent to any modification, variation and/or amendment as may be required by the relevant authorities.”

ANY OTHER BUSINESS:-

8. 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 2019
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 3 December 2019 (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.*

NOTICE OF THE FIFTH ANNUAL GENERAL MEETING

(cont'd)

8. **Explanatory Notes on Special Business**

Resolution 9 pursuant to Section 76 of the Companies Act, 2016

The proposed Ordinary Resolution 9 is intended to renew the authority granted to the Directors of the Company at the Fourth Annual General Meeting of the Company held on 30 November 2018 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 30 November 2018.

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).

9. **Resolution 10 - Proposed Adoption of new Constitution**

The proposed Special Resolution, if passed, will align the Constitution of the Company with the Act, which came into force on 31 January 2017, the updated provisions of the Ace Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad and the prevailing statutory and regulatory requirements as well as to provide clarity and consistency with the amendments that arise from the Act and AMLR. The proposed new Constitution is set out in the Appendix A to shareholders dated 31 October 2019 accompanying the Company's 2019 Annual Report be replaced thereof and adopted as the new Constitution of the Company with immediate effect.

STATEMENT ACCOMPANYING NOTICE OF THE FIFTH ANNUAL GENERAL MEETING

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

Article 85

Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing
Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra
Mr. Lau Wei Dick @ Dexter Dick Lau

Article 92

Y. Bhg. Dato' Mohd Ibrahim Bin Mohd Nor

The profiles of the Directors who are standing for re-election is set out on pages 6 to 14 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 2019 are disclosed in the respective profiles of the Directors.
3. The details of the Fifth Annual General Meeting are as follows:

Date of Meeting	Time of Meeting	Place of Meeting
Monday, 9 December 2019	10.00 a.m.	Kim Teck Cheong Consolidated Berhad, Lot 73, Jalan Kilang SEDCO Light Industrial Estate Mile 5 ½, Jalan Tuaran 88450 Kota Kinabalu, Sabah, Malaysia

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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 Fifth Annual General Meeting of the Company to be held at Kim Teck Cheong Consolidated Berhad, Lot 73, Jalan Kilang SEDCO Light Industrial Estate Mile 5 ½, Jalan Tuaran 88450 Kota Kinabalu, Sabah, Malaysia on Monday, 9 December 2019 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 RM253,500 for the financial year ended 30 June 2019		
2	To approve the following payments to Non-Executive Directors: Directors' fees of up to RM260,160 from 1 July 2019 up to the next Annual General Meeting of the Company to be held in 2020		
3	To approve the following payments to Non-Executive Directors: Meeting allowance of RM40,000 from 1 July 2019 up to the next Annual General Meeting of the Company to be held in 2020		
4	Re-election of Director – Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing		
5	Re-election of Director – Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra		
6	Re-election of Director – Mr. Lau Wei Dick @ Dexter Dick Lau		
7	Re-election of Director – Y. Bhg. Dato' Mohd Ibrahim Bin Mohd Nor		
8	To re-appoint Messrs. PKF Malaysia as the Auditors and to authorise the Board of Directors to fix their remuneration		
Special Business			
9	Authority to Issue Shares Pursuant to Section 76 of the Companies Act, 2016		
Special Resolution			
10	Proposed Adoption of New Constitution of the Company		

Dated this _____ day _____ 2019

CDS ACCOUNT NO.	NUMBER OF SHARES HELD

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	Percentage
Signature/Common Seal _____	Proxy 1 %
	Proxy 2 %
	Total 100%

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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 3 December 2019 (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.

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stamp

The Company Secretary
Kim Teck Cheong Consolidated Berhad
Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Malaysia

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www.kimteckcheong.com

Kim Teck Cheong Consolidated Berhad (1113927-H)

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