金 德 昌 控 股 集 团

KIM TECK CHEONG CONSOLIDATED BERHAD

ANNUAL
REPORT
17

ABOUT KIM TECK CHEONG

Equipped with over 80 years of industry experience, the business has been successfully managed by the Lau family and it continues to expand its business presence and branding throughout East Malaysia and Brunei.

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

COVER VISIONARY

**A brief description on this year's Cover Visionary:
The Hummingbird and Lotus Flower**

The hummingbird, despite its size, is one of the fastest birds in the world. Like the hummingbird, KTC's fast-paced performance and rapid expansion is known to deliver promising turnarounds. Inspired by the hummingbird, KTC continues its inspiration to deliver its harvest and to offer its best services to the people and consumers.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Tan Jwee Peng
Senior Independent Non-Executive Director

Y.A.M. Tengku Datin Paduka Setia Zatashah Binti Sultan Sharafuddin Idris Shah
Independent Non-Executive Director

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

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

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

Lim Hui Kiong
Non-Independent Executive Director

Wee Hock Kee
Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Chairman
Wee Hock Kee

Member
Tan Jwee Peng

Y.A.M.Tengku Datin Paduka Setia Zatashah Binti Sultan Sharafuddin Idris Shah

REMUNERATION COMMITTEE

Chairman
Y.A.M.Tengku Datin Paduka Setia Zatashah Binti Sultan Sharafuddin Idris Shah

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

Wee Hock Kee

NOMINATION COMMITTEE

Chairman
Tan Jwee Peng

Member
Y.A.M.Tengku Datin Paduka Setia Zatashah Binti Sultan Sharafuddin Idris Shah

Wee Hock Kee

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

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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

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

SPONSOR

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

REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No.8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : +6(03) 2783 9299
Fax : +6(03) 2783 9222

PRINCIPAL BANKERS

AmIslamic Bank Berhad (295576-U)
CIMB Bank Berhad (13481-P)
Hong Leong Bank Berhad (97141-X)
HSBC Bank Malaysia Berhad (127776-V)
Malayan Banking Berhad (3813-K)
OCBC Bank (Malaysia) Berhad (295400-W)
RHB Bank Berhad (6171-M)

STOCK EXCHANGE

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

CORPORATE STRUCTURE

KIM TECK CHEONG CONSOLIDATED BERHAD

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

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

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

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

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

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

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

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

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

60% GRANDTOP MARKETING SDN. BHD. ("Grandtop Marketing")

CORPORATE MILESTONE

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

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

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

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

Established distribution centre in Tawau, Sabah

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

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

2006
Established distribution centre in **Labuan**

2007
Extended product range to cover OTC drugs and health supplements

**CPG: Consumer Packaged Goods*

CORPORATE MILESTONES
cont'd

2011

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

2012

Incorporated **Creamos Malaysia** to manufacture bakery products

2013

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

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

2014

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

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

Commenced manufacturing business in bakery products

2015

Listed on the ACE market of Bursa Malaysia Securities Berhad

2016

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

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

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

2017

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

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

BOARD OF DIRECTORS

From left to right:
Tan Jwee Peng, Lau Wei Dick , Y.A.M. Tengku Datin Paduka Setia Zatashah Binti Sultan Sharafuddin Idris Shah,
Y. Bhg. Datuk Deleon Quadra, Y. Bhg. Datuk Lau Kok Sing, Y. Bhg. Datin Lim Fook Len, Wee Hock Kee, Lim Hui Kiong

BOARD OF DIRECTORS
cont'd

BOARD OF DIRECTORS
cont'd

Name, Age, Gender, Nationality, Designation	:	**Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra** 70 | Male | Malaysian | Independent Non-Executive Chairman
Date of appointment	:	2 December 2014
Qualification	:	He graduated with Bachelor of Arts at the University of Otago, New Zealand in 1969 and obtained both a Master of Arts from University of Auckland and Diploma in Teaching from the Auckland Teachers College in 1971. Subsequently, he completed an Advanced Course in Educational Development in 1987 from Stanford University, USA and an Advanced Course in Curriculum Development in 1991 from the Institute of Education, University of London, United Kingdom.
Working experience & Occupation	:	He became the Principal Assistant Director at the Department of Education, Kota Kinabalu in 1976, and was appointed as Director of Education, Sabah in 2000. He was a member of the advisory panel of the Department of National Unity and Integration of the Prime Minister Department, Malaysia from 2004 until 2008. Subsequently, he became a panellist for the National Dialogue on Malaysian Education System Review until 2012. He has been a member of the Malaysian Examinations Council consecutively for four (4) terms since 2004. During this tenure, he has been participating in the Disciplinary Appeal Board, a portfolio assigned to him under the Malaysian Examinations Council.
Board Committee belongs	:	Nil
Other directorship in public companies and listed corporations	:	Nil
Family relationship with director/major shareholder	:	Nil
Conflict of interest	:	Nil
List of convictions for offences within the past 5 years if any	:	Nil
Number of Board meetings attended	:	5/5

BOARD OF DIRECTORS
cont'd

Name, Age, Gender, Nationality, Designation	:	**Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing** 72 | Male | Malaysian | Non-Independent Managing Director
Date of appointment	:	17 October 2014
Qualification	:	He completed his high school education in 1965.
Working experience & Occupation	:	Enterprise, a family owned departmental store situated in Kota Kinabalu. Subsequently in 1967, he was responsible for the day-to-day management of the business and later he took over the operation in 1973. In 1975, he was involved in setting up KTC Sdn Bhd which provide market access and coverage of third party brands of personal care products namely skin care products in Sabah. In 1983, he co-founded KTC Tawau with his brother-in-law, Lim Hui Kiong. In 2000, he set up the distribution centre in Sandakan and in 2003, he established AMDA Marketing (Sabah) Sdn Bhd (now known as KTC Borneo), in which established KTC's strong footing in Sarawak. Currently, he is an overseas committee member of the All-China Federation of Returned Overseas Chinese, Beijing, People's Republic of China. He is the National Vice President of the Malaysia-China Chamber of Commerce and Honorary Life Adviser to the Malaysia-China Chamber of Commerce, Sabah Branch. He is also the Honorary Life President of the United Sabah Chinese Communities Association and the Honorary Life Chairman of Kota Kinabalu Hokkien Association and Sabah Ann Koai Association, an Honorary Advisor for the Kota Kinabalu Journalists Association.
Board Committee belongs	:	Member of Remuneration Committee
Other directorship in public companies and listed corporations	:	Nil
Family relationship with director/major shareholder	:	Spouse of Y. Bhg. Datin Lim Fook Len @ Lim Su Chin Brother in law of Lim Hui Kiong Father of Lau Wei Dick @ Dexter Dick Lau
Conflict of interest	:	Nil
List of convictions for offences within the past 5 years if any	:	Nil
Number of Board meetings attended	:	4/5

BOARD OF DIRECTORS
cont'd

Name, Age, Gender, Nationality, Designation	:	**Y.A.M. Tengku Datin Paduka Setia Zatashah Binti Sultan Sharafuddin Idris Shah** 44 | Female | Malaysian | Independent Non-Executive Chairman
Date of appointment	:	2 December 2014
Qualification	:	She graduated with a Bachelor of Arts (Honours) in Spanish with French Studies at Middlesex University, United Kingdom in 1997. Subsequent to that, she attained the Certificate of Language and French Civilisation at Sorbonne University in 2001.
Working experience & Occupation	:	She started her career at 1995 in BDDP Barcelona, an advertising agency. In 1996, she moved to a Front Desk Management role in Ascott Hotel, London. She returned to Malaysia in 2001 and joined New Straits Times as journalist. She returned to France in 2004 and joined L'Oreal SA in France as its International Corporate Communications Manager. In 2009, she co-founded Originalo Sdn Bhd, she was also a contributing writer for The Edge Malaysia between 2009 and 2010. She was elected as the Vice President of Alliance Francaise de Kuala Lumpur in 2010 and subsequently President in 2012 a role she still holds to date. She is Royal Patron of Make-A-Wish Malaysia. Currently, she is also the Chairman and CEO of Light Cibles Sdn Bhd and Senior Advisor to Klareco Communications. She is also a director of several private limited companies.
Board Committee belongs	:	Chairman of Remuneration Committee Member of Audit and Risk Management Committee Member of Nomination Committee
Other directorship in public companies and listed corporations	:	Nil
Family relationship with director/major shareholder	:	Nil
Conflict of interest	:	Nil
List of convictions for offences within the past 5 years if any	:	Nil
Number of Board meetings attended	:	5/5

BOARD OF DIRECTORS
cont'd

Name, Age, Gender, Nationality, Designation	:	**Y. Bhg. Datin Lim Fook Len @ Lim Su Chin** 64 | Female | Malaysian | Non-Independent Non-Executive Chairman
Date of appointment	:	2 December 2014
Qualification	:	She obtained a Diploma in Executive Secretary & Management at West London College in 1976.
Working experience & Occupation	:	She joined Kumpolan Sabah Sdn Bhd as a Marketing Manager in 1977. Thereafter, she joined KTC Sdn Bhd in 1978 as a Senior Manager responsible for the administrative and supply chain operations. Since then, she has been with our Group. In 1983, she assisted in the setting-up of KTC Tawau and was subsequently promoted to the position of Director in KTC Tawau in 1989. Between 1989 and 1997, she assisted in the operations of KTC Sdn Bhd and KTC Tawau in the area of supply chain management. Since 1997 until 2012, she has been assisting in supervising and managing the operations of our Group on an informal and ad-hoc basis.
Board Committee belongs	:	Nil
Other directorship in public companies and listed corporations	:	Nil
Family relationship with director/major shareholder	:	Spouse of Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing Sister of Lim Hui Kiong Mother of Lau Wei Dick @ Dexter Dick Lau
Conflict of interest	:	Nil
List of convictions for offences within the past 5 years if any	:	Nil
Number of Board meetings attended	:	4/5

BOARD OF DIRECTORS
cont'd

Name, Age, Gender, Nationality, Designation	:	**Lau Wei Dick @ Dexter Dick Lau** 38 | Male | Malaysian | Non-Independent Executive Director
Date of appointment	:	17 October 2014
Qualification	:	He obtained his Bachelor of Law from the University of Kent, Canterbury, United Kingdom in 2001 and he completed the Bar Vocational Course at the Inns of Court School of Law, and was subsequently, called to the Bar of England and Wales as a member of Lincoln's Inn of the United Kingdom in 2002.
Working experience & Occupation	:	He started his career as the General Manager of AMDA Marketing (Sabah) Sdn Bhd (now known as KTC Borneo) in 2003 and was appointed as a director of KTC Borneo and KTC Tawau in the same year. He was promoted to Vice President of the Group in 2009. In 2012, he established Creamos Malaysia, putting our Group on the map of the bakery industry in Malaysia. During his tenure with the Group, he has been responsible for managing the day-to-day business operations and planning strategies for the future direction of our Group. He was selected to become a member of the Young Presidents' Organisation since 2010. Currently, he is also a director and shareholder of several private limited companies.
Board Committee belongs	:	Nil
Other directorship in public companies and listed corporations	:	Nil
Family relationship with director/major shareholder	:	Son Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing and Y. Bhg. Datin Lim Fook Len @ Lim Su Chin 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	:	5/5

BOARD OF DIRECTORS
cont'd

Name, Age, Gender, Nationality, Designation	:	**Lim Hui Kiong** 58 | Male | Malaysian | Non-Independent Executive Director
Date of appointment	:	2 December 2014
Qualification	:	He completed his high school education in 1977.
Working experience & Occupation	:	He started his career as a Sales Representative at Kilat Jaya, a company involved in wholesale distribution. He then furthered his O-levels at Tresham College of Further and Higher Education, United Kingdom in 1979. Thereafter in 1981, he joined Diethelm (M) SdnBhd (now known as DKSH Malaysia Sdn Bhd) as a Sales Representative in 1982. In 1983, he left Diethelm (M) SdnBhd and co-founded KTC Tawau with Datuk Lau. He played a key role in growing the company by focusing on providing market access and coverage of CPG products in Tawau, Semporna, Lahad Datu and Kunak. He was instrumental in building up the network of suppliers and customers particularly in Tawau, Semporna, Lahad Datu and Kunak. In 2013, he was appointed as a director in KTC Sarawak. He has since accumulated over 30 years of experience in the wholesale distribution industry. Currently, he is also a director and shareholder of several private limited companies.
Board Committee belongs	:	Nil
Other directorship in public companies and listed corporations	:	Nil
Family relationship with director/major shareholder	:	Brother in Law of of Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing Brother of Y. Bhg. Datin Lim Fook Len @ Lim Su Chin Uncle of Lau Wei Dick @ Dexter Dick Lau
Conflict of interest	:	Nil
List of convictions for offences within the past 5 years if any	:	Nil
Number of Board meetings attended	:	5/5

BOARD OF DIRECTORS
cont'd

Name, Age, Gender, Nationality, Designation	:	**Wee Hock Kee** 56 | Male | Malaysian | Independent Non-Executive Director
Date of appointment	:	2 December 2014
Qualification	:	He graduated in 1985 with the Association of Chartered Certified Accountant ("ACCA") from Emile Woolf College London and was qualified by the Malaysian Institute of Accountant ("MIA") as a Chartered Accountant in 1989. He became a Chartered Fellow of Institute of Internal Auditors ("IIA") Malaysia in 2006. He is currently a Fellow Member of the ACCA. He has also obtained a Certified Risk Management Assurance (United States) in 2012.
Working experience & Occupation	:	He began his career as an Internal Auditor in 1985 in Fraser & Neave Holdings Berhad before leaving in 1987 to join ICI Holdings (M) Sdn Bhd where he held the position of Audit Manager. He left ICI Holdings (M) Sdn Bhd in 1992 and was attached with Guinness Anchor Berhad in the same year. In 1994, he joined Cycle and Carriage Singapore and spent 2 years working in the company as the Chief Internal Auditor for the group. He subsequently joined Karambunai Resorts Berhad and served as a Special Assistant to the Group Chief Executive Officer from year 1995 until 1998. Within a span of 20 years in internal audit, he rose to the position of Regional Audit Director in AstraZeneca Plc ("**AZ**") for Asia Pacific, Middle East and Africa in mid-1998 until 2005. As part of the AZ group internal audit global senior management team, he was responsible for developing and charting the AZ group's governance strategy. In 2005, he decided to dedicate his efforts to public practice and promote internal audit by assuming the driver-seat in CG Board Asia Pacific Sdn Bhd. He was the President of IIA Malaysia from 2004 to 2006 and President of Asian Confederation of IIA from 2006 to 2007, and board member of IIA Global from 2005 to 2007. He was also a member of ACCA Malaysia's Advisory Committee from 2002 to 2006 and a Chairman of the Internal Audit Working Group of MIA in 2007. He was the Chairman of the 2011 IIA International Conference in Kuala Lumpur. He won the Malaysian Internal Auditor of the Year Award in 2001 and was a speaker and chaired numerous international, regional and national conferences organised by professional bodies throughout the span of his career in internal audit. He is currently engaged by Bursa Malaysia for Audit Committee Workshop on Risk Management & Internal Control. He was involved with National Institute of Empowerment Women (NIEW) and Malaysia Directors Academy (MINDA) for the Women Directors' Onboarding Training Programme. He was recently engaged by Securities Industry Development Corporation (SIDC) for Capital Market Directors Programme (CMDP). He is a Research Fellow in HELP University. Apart from consulting, he is the Founder/CEO of BacktoHealth (M) Sdn Bhd, a healthcare company involved in physiotherapy rehabilitation in Malaysia.
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	:	MIMOS 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	:	5/5

BOARD OF DIRECTORS
cont'd

Name, Age, Gender, Nationality, Designation	:	**Tan Jwee Peng** 58 | Male | Malaysian | Senior Independent Non-Executive Director
Date of appointment	:	3 December 2014
Qualification	:	He graduated with a Bachelor of Law degree with Honours from the University of Buckingham, England in 1982. He became a member of Lincoln's Inn of the United Kingdom and was called to the Bar of England and Wales in 1983. He was also admitted to practise in the Supreme Court of the Australian Capital Territory and the High Court of Australia in 1990.
Working experience & Occupation	:	In 1984, he was called to the High Court in Sabah and Sarawak as an Advocate and Solicitor. In the same year, he started his career as a legal assistant in Jayasuriya Kah & Co and subsequently became a partner in 1986. He is currently the Managing Partner of Jayasuriya Kah & Co. He is a member of the Sabah Law Association and served as its President for three (3) terms from 1999 to 2003. From 2002 to 2003, he was the Chairman of the Board of Visiting Justices for Kota Kinabalu Prisons. Currently, he is also a director of several private limited companies.
Board Committee belongs	:	Chairman of Nomination Committee Member of Audit and Risk Management Committee
Other directorship in public companies and listed corporations	:	Nil
Family relationship with director/major shareholder	:	Nil
Conflict of interest	:	Nil
List of convictions for offences within the past 5 years if any	:	Nil
Number of Board meetings attended	:	4/5

KEY MANAGEMENT PERSONNEL

Name	:	**Albert Chan Kim Tee**
Age	:	52
Gender	:	Male
Nationality	:	Malaysian
Designation	:	Associate Director, Human Resource - Corporate
Qualification, working experience & occupation	:	He graduated in 1990 with Bachelor (Hons) Degree in Social Science from National University of Malaysia, Bangi. Obtained certificate in Industrial Relations with Professional & Organization Development in 1996 and received certificate in SHO with NIOSH in 2005. Possess Master Degree in Business Administration, majoring in Human Resource & General Management with University of Southern Queensland, Australia in 2016. He started his career at 1990 in SGS Thomson Micro-Electronic as Production Executive. In 1991, he moved to Panasonic Electronic Devices as Asst. Human Resource Manager. He left Panasonic in 2006 and joined Naza Group of Companies with last position as Head of Corporate Human Capital. In 2013, he moved his career to Oil & Gas Process Equipment Industry, attached with KNM Group of Companies as Senior General Manager, Human Resource. Currently, he is with Kim Teck Cheong Consolidated Berhad as Associate Director, Human Resource Corporate.
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

Name	:	**Christina Yap Chui Fui**
Age	:	39
Gender	:	Female
Nationality	:	Malaysian
Designation	:	Associate Director, Treasury - Corporate
Qualification, working experience & occupation	:	She is a qualified chartered accountant and has obtained her membership from the ACCA in 2003. She was admitted to the MIA as a member in 2004. In 2008, she became a fellow member of ACCA. She started her career in 2001 as an Audit Assistant in Lau Chua Kong & Co. In the same year, she joined KPMG as an Audit Senior. Subsequently, she joined Empor Holdings Sdn Bhd in 2004 as a Financial Controller and was then transferred to its related company, Empor Management Services Sdn Bhd in 2009 to act as its director. In 2011, she joined KTC Sdn Bhd as Group Manager, Finance/Investment and is responsible for overseeing and monitoring our financial accounting and taxation matters, and corporate activities which includes, amongst others, the planning and coordinating of our financial reporting activities.
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

KEY MANAGEMENT PERSONNEL
cont'd

Name	:	**Adeline Tan Sze Kean**
Age	:	38
Gender	:	Female
Nationality	:	Malaysian
Designation	:	Associate Director, Commercial Logistics - Corporate
Qualification, working experience & occupation	:	She graduated with a Bachelor of Arts in Accounting at University of Hertfordshire, United Kingdom in 2000. Subsequently, she obtained a Master of Commerce at Deakin University, Australia in 2003. She started her career as an audit assistant at SK Hiew & Associates in 2000 and in 2002, she furthered her studies in Australia. Upon completing her Master of Commerce in 2003, she joined United Overseas Bank Berhad as a Privilege Banking Manager, a role she held until 2005. She then joined Stellen (Malaysia) Sdn Bhd as its financial controller from 2005 until 2008. Between 2008 and 2010, she was the Business Development Manager of Ayam Ria, a cold chain business, a sole proprietor. In 2010, she joined CIMB Bank Berhad as Team Sales Manager of Mobile Sales Force Mortgage department. Subsequently, she joined KTC Group as Unit Manager of KTC Sdn Bhd in 2012. She was promoted as branch Operations Manager of Kota Kinabalu in 2013 and subsequently promoted to General Manager in the same year. During her tenure as General Manager from 2013 to 2015, she was responsible for overseeing the business operations of KTC Sdn Bhd in Kota Kinabalu, Sandakan and Labuan branches. In 2015, she was made Associate Director, Commercial Logistics – Corporate, responsible for overseeing the commercial logistics operations of our Group.
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

KEY MANAGEMENT PERSONNEL
cont'd

Name	:	**Wong Lai Yee**
Age	:	36
Gender	:	Female
Nationality	:	Malaysian
Designation	:	Associate Director, Commercial Development - Corporate
Qualification, working experience & occupation	:	She started her career as a Front Desk Officer at The Regent Hotel, Kuala Lumpur (now known as Grand Millennium, Kuala Lumpur) after she graduated from her secondary education in 1999. She started her career as a Front Desk Officer at The Regent Hotel, Kuala Lumpur (now known as Grand Millennium, Kuala Lumpur) after she graduated from her secondary education in 1999. Subsequently, she joined Succeo Food & Beverage Sdn Bhd, a food distributor of grocery products based in West Malaysia as a Sales Executive from 2001 to 2003. In 2003, she joined Frontier Food Industries Sdn Bhd, a manufacturer and supplier of waffle confectionery as a Sales Executive before being promoted to Key Account Manager a year later. As Key Account Manager from 2004 to 2006, she was tasked with servicing hypermarkets such as Giant and Tesco and other wholesalers as well as to oversee the management and the overall operations of all the branches and key outlets in Kuala Lumpur. In 2016, she was made Associate Director, Commercial Development – Corporate, responsible for overseeing the commercial development operations of our Group.
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

Name	:	**Liew Su Kee**
Age	:	37
Gender	:	Female
Nationality	:	Malaysian
Designation	:	Associate Director, Commercial Solutions - Corporate
Qualification, working experience & occupation	:	She obtained her Bachelor of Finance with Multimedia from the Multimedia University, Malaysia in 2002. She started her career as student affairs officer at INTI College Sabah in 2003. Subsequently, she joined AMDA Marketing Sabah Sdn Bhd (now known as KTC Borneo) in 2006 as Executive and subsequently transferred to KTC Sdn Bhd then promoted as the Unit Manager, Business Process Solutions. In 2016, she was made Associate Director, Commercial Solutions – Corporate. During her tenure with our Group, she is responsible for overseeing the business processes and operating systems of our Group.
Other directorship in public companies and listed corporations	:	Nil
Family relationship with director/major shareholder	:	Nil
Conflict of interest	:	Nil
List of convictions for offences within the past 5 years if any	:	Nil

FINANCIAL HIGHLIGHTS

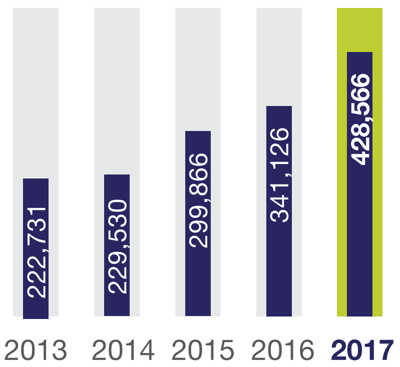
		Proforma Group		Audited	Audited
Financial Year Ended ("FYE") 30 June	**2013 RM'000**	**2014 RM'000**	**2015 RM'000**	**2016 RM'000**	**2017 RM'000**
Revenue	222,731	229,530	299,866	341,126	428,566
Profit before tax	6,514 (1)	7,387	10,352	3,217	2,989
Profit attributable to owners of KTC	4,490 (1)	5,485	7,050	1,852	1,115
Shareholders' equity	63,346	60,828	73,155	89,789	90,823

Notes:

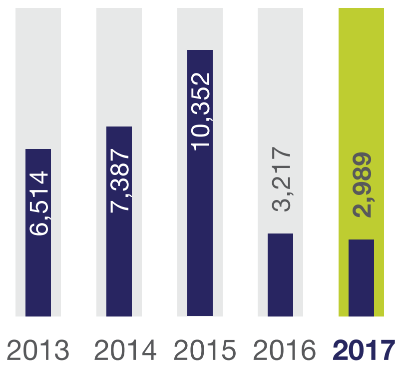
(1) Excluding the net fair value adjustment on assets held for distribution.

*(2) The financial results for the FYE 30 June 2011 to FYE 30 June 2015 are based on proforma results as disclosed in the Prospectus of Kim Teck Cheong Consolidated Berhad's ("**KTC**" or "**the Company**") dated 28 October 2015.*

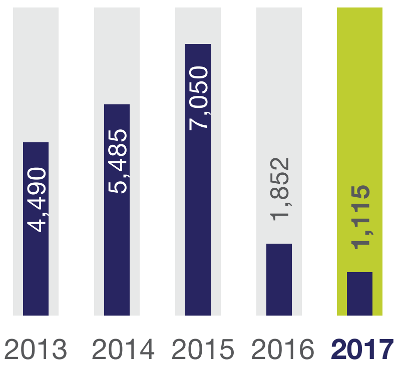
REVENUE (RM'000)



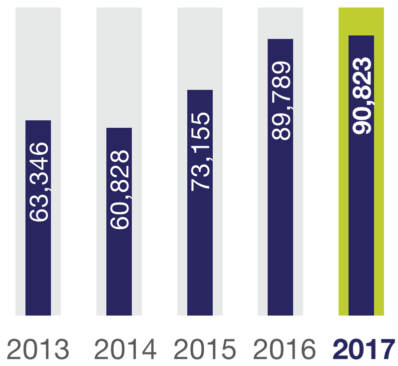
PROFIT BEFORE TAX (RM'000)



PROFIT ATTRIBUTABLE TO OWNERS OF KTC (RM'000)



SHAREHOLDERS' EQUITY (RM'000)



BRAND PORTFOLIO

"One of the **LARGEST, TOP TIER** consumer packaged goods distributors in **East Malaysia**"

7355 sales and distribution points covering over 84 districts.
Focus on providing market access and coverage of over 200 brands for 37 brand owners

DISTRIBUTION

Supported by a total of 16 distribution centers in East Malaysia and Brunei .

MANUFACTURING

Bakery products (Creamos) manufacturing process from dough pressing, moulding, slicing, filling and automated packaging are done at our own facility.

HOUSE BRANDS

Bakery products - **Creamos**
Chilled, frozen and dry foods - **Orie**
High quality dairy products

BRAND PORTFOLIO
cont'd

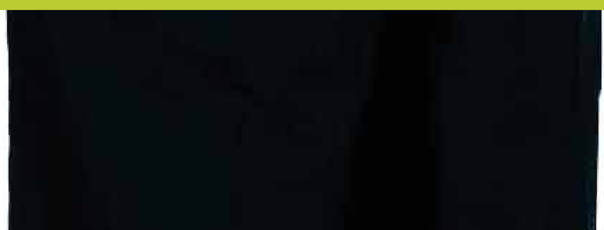
DryPlus	Huggies	Pureen	Mother's Choice	Dumil mama	Gillette
SCS	Disney	Buttercup	Milo	Nestlé	A'laisyah
KitKat	Dua Kelinci	kara	Ayamas	Za	Horlicks
Crispy	Vicks	Meadowlea	Rich's	Kewpie	Life
Marigold	Mission	Ribena	Anakku	Barney	Drapolene Cream
Hansaplast	Panadol	Elastoplast	PHILIPS	ambi pur	Joy
NIVEA	Scott's	febreze	Darlie	Maggi	Hand Brand
REDKEN	Milo	Nescafé	TSUBAKI	Crunch	Roma
Aquafresh	Danisa	choki choki	Mega Global	SILKYGIRL	Poise
KÉRASTASE	whisper	Kotex	Kleenex	Rejoice	Downy
PANTENE PRO-V	KOPIKO	Slai o'lai	PUREOLOGY	REVLON	ENO
Oral-B	AQUALABEL	Dry-Pro	Audrey	POLIDENT	Fab
head & shoulders	FOLLOW ME	L'ORÉAL PROFESSIONNEL	Herbal Essences	OLAY	DYNAMO
NUTOX	nanowhite	Scott	Benxon	nabati	Ocean
Kool Fever	Befood				

CHAIRMAN'S STATEMENT

DEAR VALUED SHAREHOLDERS

Y. BHG. DATUK DELEON QUADRA @ KAMAL QUADRA

On behalf of the Board of Directors ("Board") of Kim Teck Cheong Consolidated Berhad ("KTC" or the "Group"), I am pleased to present the Annual Report and Audited Financial Statements of the Group for the financial year ended 30 June 2017 ("FYE2017").



CHAIRMAN'S STATEMENT
cont'd

PERFORMANCE REVIEW

Amidst the backdrop of Malaysia's challenging economic conditions and the weak consumer market sentiment, our Group delivered a higher revenue of RM428.57 million, representing an increase of 25.63% for FYE2017 as compared to RM341.13 million in our last financial year ended 30 June 2016 ("FYE2016"). The increase in revenue is mainly due to the commencement of the distribution of CPG for P&G in Sarawak with effect from 1 October 2016 and the revenue contribution amounting to RM6.71 million from Grandtop Marketing, the newly acquired Brunei subsidiary of the Group. Nevertheless, our Group delivered a lower profit after tax attributable to owners of the company ("PAT") of RM1.12 million for FYE2017 as compared to RM1.85 million in FYE2016. The decrease in PAT was mainly due to the Group's initiatives to increase business infrastructure capacities in East Malaysia, particularly in Sarawak and Brunei under challenging economic conditions globally and overall soft consumer outlooks. Consequently, the Group reported a lower earnings per share of 0.22 cents as compared to 0.41 cents for FYE2016.

CORPORATE HIGHLIGHTS

On 1 March 2017, we achieved our plan to extend our distribution arm outside of East Malaysia when we successfully acquired Grandtop Marketing, a distribution company in Brunei. The acquisition provided our Group with immediate penetration into the Brunei market supported with ready business infrastructure and warehousing facilities.

Additionally, on 28 February 2017, we concluded the acquisition of 100% equity interest in KTC Transpacific. Through this acquisition, we increased our warehousing facility located at Kuching, Sarawak.

MOVING FORWARD

Malaysia's consumer price inflation rose to 5.1% in March 2017, the highest in the past 8 years. Nevertheless, salary in general did not increase in tandem with the rising prices of goods and services which has a direct impact on the spending power in Malaysia. The lower consumer sentiment is expected to continue if inflation figures remain the same.

While we do not foresee an easy year ahead, we will continue to work relentlessly to sustain our financial performance, on the backed of our Group's infrastructure and distribution networks. We remain focused on our long-term business plans to achieve our corporate vision in building our business network and infrastructure across Borneo.

Additionally, on the manufacturing of bakery products, our Group will work towards expanding the range of bakery products and improving production efficiency through new recipe formulations.

CORPORATE GOVERNANCE

The Board emphasises strongly on good corporate governance practices and is committed to maintaining high standards of corporate governance. I am pleased to note that the Group has continued to abide with all governance guidelines issued by regulators and will continue to maintain a high level of governance, integrity and transparency in our business conducts to ensure the Group's continual success.

APPRECIATION

On behalf of the Board, I would like to express my gratitude and appreciation to the management team and all our employees for their dedication and contribution towards the Group. I also extend my thanks to our business partners, suppliers, customers and bankers who have been instrumental to our Group's journey to date, and with whom we will continue to collaborate to achieve our goals moving forward.

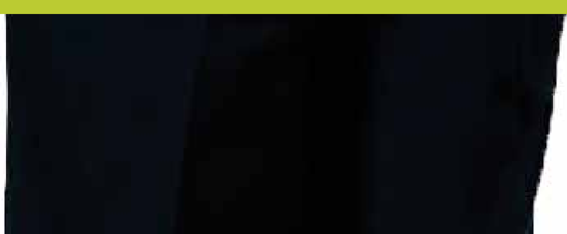
I am also fortunate to have on the Board a group of dedicated directors whom I would like to thank for their valuable contributions. To all our esteemed shareholders, I thank you for your continuous support and confidence in KTC. We will continue to work tirelessly to deliver sustainable performance and growth going forward.

Y. BHG. DATUK DELEON QUADRA @ KAMAL QUADRA
Independent Non-Executive Chairman

MANAGEMENT DICUSSION AND ANALYSIS

DEAR VALUED SHAREHOLDERS

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



MANAGEMENT DICUSSION AND ANALYSIS
cont'd

OVERVIEW OF BUSINESS AND OPERATIONS

Our Group is in the business of providing market access and coverage of CPG where we are involved in the distribution and warehousing of third party brands of products as well as our own brands of products ranging from F&B products, personal care products, household products, electrical goods, OTC drugs and health supplements, and baby care products in East Malaysia and Brunei. Our Group's core business is supported by a total of 16 distribution centres with warehousing facilities in East Malaysia, of which 9 are in Sabah, 4 in Sarawak, 2 in Labuan and 1 in Brunei.

We have established a solid industry foundation with a wide distribution network encompassing retail outlets, hypermarkets, supermarkets, departmental stores, sundry shops, convenience stores, pharmacies, petrol kiosks, electrical hardware stores, stationery and book stores, clothing stores, wholesalers, distributors and food services.

Our business structure is divided into three (3) segments:

(i) Distribution of third party brands

As a provider of market access and coverage of CPG, our core competency is in the distribution of a proliferation of brands across East Malaysia and Brunei. We currently distribute approximately 200 third party brands of CPG for 37 brand owners.

Equipped with nearly 80 years of business operation in the industry, we have established a grounded and extensive distribution network coving 7,355 sales and distribution points spanning 84 districts across East Malaysia and Brunei.

(ii) Distribution of own brands

By leveraging from our core competency in the distribution of CPG, we extended our portfolio of products to the distribution of our own brands in 2011. We sourced our own brand products from external manufacturers locally and overseas, which are packed under our own brand "Orie". We currently carry 40 products under our "Orie" brand including beverage, chilled, frozen and dry products.

(iii) Manufacturing of bakery products

Part of our Group's business activities is manufacturing our own brand of bakery products, which commenced operations in February 2014.

Bakery products that are manufactured in-house under our 'Creamos' brand include flavoured cream rolls, sandwich loaves and chiffon cupcakes. Creamos products are sold throughout Sabah.

FINANCIAL REVIEW

Despite the flattish Malaysian consumer spending during the year, the Group registered a higher revenue of RM428.57 million in FYE2017, an increase of 25.63% from RM341.13 million achieved in FYE2016. The increase in our revenue was contributed significantly by our business operations in Sarawak.

Notwithstanding this, the revenue from our Sabah operations remained the largest contributor, amounting to RM305.64 million or 71.32% (2016: RM299.02 million or 87.66%) of the total Group's revenue. The revenue from our Sarawak operations contributed to RM99.39 million or 23.19% of the total Group's revenue (2016: RM25.54 million or 7.48%). The significant increase in the revenue in Sarawak was mainly attributable to the commencement of distribution of third party brands of CPG for P&G in Sarawak which accounted for RM56.04 million or 13.08% of the total Group's revenue. The acquisition of Grandtop Marketing contributed RM6.71 million or 1.56% of the total Group's revenue.

Nevertheless, the Group's PAT for FYE2017 of RM1.12 million decreased by 39.46% as compared to RM1.85 million in FYE2016. PAT reduced was mainly due to the following:

(i) allowance for impairment loss on trade and other receivables amounting to RM0.41 million initiated by the Group made necessary by the overall slowdown in the economic sentiment regionally in line with prudent accounting practice;

(ii) the increase in the Group's finance cost from RM4.98 million for FYE2016 to RM RM7.23 million for FYE2017 was mainly attributable to the increase in loans and borrowings of RM36.27 million (from RM116.87 million as at 30 June 2016 to RM153.14 million as at 30 June 2017), which was mainly due to the following:

    (1) increase in inventories and trade receivables due to increase in revenue;
    (2) investment in warehousing equipment and business infrastructures in Sarawak;
    (3) prolonged customers payment term resulted by the challenging business conditions amidst the global economic slowdown; and
    (4) additional inventories as a result of the inventory mix rectification exercise in order to enhance the service level of the Group's new customer segment.

MANAGEMENT DICUSSION AND ANALYSIS

cont'd

(iii) FYE2017 was ongoing infrastructure investment to position our Group for future growth with strategic business acquisitions which provided our Group with immediate market access and expansion supported with ready business infrastructure in Sarawak and Brunei. The Group is now well placed for profit growth in the year ahead with these acquisitions of business infrastructures.

FINANCIAL POSITION

As at 30 June 2017, our shareholders' funds were slightly higher at RM90.82 million as compared to RM89.79 million in the previous year mainly due the PAT attributable to the owners of the Company, while total liabilities also increased by RM31.81 million to RM185.58 million. Our total debt to total equity ratio of 1.94 times as at 30 June 2017 increased as compared to previous year. This was mainly due to the increase in utilisation of short term banking facilities specifically bankers' acceptance and revolving credit resulted by the business expansion.

As at 30 June 2017, trade and other receivables increased by 22.28% to RM114.88 million primarily due to higher sales during the current financial year as compared to collection and the acquisition of subsidiary, Grandtop Marketing which accounted RM5.80 million or 5.05% of the total Group's trade and other receivables. While inventories saw an increase of 31.83% to RM79.65 million as at 30 June 2017 which was in tandem with the increase in Group's revenue and this consist of RM4.85 million or 6.09% of inventories from Grandtop Marketing.

Our Group's cash and cash equivalent decreased significantly by RM19.22 million to RM2.78 million as at 30 June 2017 was mainly used for business operations and investment in infrastructures in Sarawak and Brunei.

As at 30 June 2017, trade and other payables decrease by 17.88% to RM25.63 million mainly due to promptly settlement of payment to suppliers in order to facilitate better prices.

Our loans and borrowings stood at RM153.14 million which was 31.03% higher as compared to previous year primarily due to the following:

(1) short term trade facilities and bank overdraft increased by 27.78% to RM128.06 million for expansion of business operation;
(2) term loans and finance lease liabilities increased by 35.85% to RM22.63 million for purchase of warehousing equipment and business infrastructures in East Malaysia; and
(3) loans and borrowings from the newly acquired subsidiary, Grandtop Marketing which accounted RM2.45 million.

With the above additional loans and borrowings, our gearing ratio increased from 1.30 times as at 30 June 2016 to 1.69 times as at 30 June 2017. If we exclude the short term trade facilities, our gearing ratio was at 0.54 times.

The Group remains prudent in maintaining a sound financial position that enables the execution of our strategic objectives in creating value the coming years.

SEGMENTAL BUSINESS REVIEW

The Group's main revenue stream is derived from the distribution of third party brands of CPG, which represented RM416.21 million or 97.11% (2016: RM326.43 million or 95.69%) of the total Group's revenue. This is followed by the distribution of our own brands of CPG, which accounted for RM6.33 million or 1.48% (2016: RM8.16 million or 2.39%) of the total Group's revenue. A small portion of the Group's business is attributed by the manufacturing of bakery products, which accounted for RM6.03 million or 1.41% (2016: RM6.54 million or 1.92%) of the total Group's revenue.

Distribution activities

Revenue contribution from distribution of third party brands of CPG increased to RM416.21 million in FYE2017, compared to RM326.43 million in FYE2016. The 27.50% increase was mainly due to the commencement of distribution of third party brands of CPG for P&G in Sarawak with effect from 1 October 2016 and revenue contribution amounting to RM6.71 million from Grandtop Marketing, a newly acquired subsidiary of the Group which was completed on 1 March 2017.

Revenue from distribution of our own brands of CPG decreased by 28.91% from RM8.16 million in FYE2016 to RM6.33 million for FYE2017. This was mainly due to certain of the products are no longer available in the market following the decision to review the price positioning of certain products with the intention of relaunching the products at a later stage.

The Group is reviewing and rationalising our current third party brands/products portfolio to ensure that we are maximising our productivity and resources by streamlining non-performing brands/products. The Group continues to secure distribution rights for new brands commanding market leadership and with products offering higher profit margins to strengthen our portfolio to synergise with our existing third party brands.

Likewise for our own brands of CPG, the Group will also review and rationalise the current range of products by streamlining the non-preforming products. The Group will continue to source new products to complement our existing range of products that we are not distributing for third party brands owners.

MANAGEMENT DICUSSION AND ANALYSIS

cont'd

Manufacturing activities

Revenue attributable from our manufacturing of bakery products slipped to RM6.03 million, 7.80% lower than the RM6.54 million recorded in FYE2016. The slight decrease was mainly due to cessation of distribution of bakery products in Labuan. The Group will expand the range of bakery products and improve the production efficiency through new recipe formulations for the in-house manufactured bakery products.

OPERATING ACTIVITIES

Our Group continued to stay on course the expansion strategy embarked on last financial year to ensure future business sustainability and growth by strengthening our operating capacity and distribution base across East Malaysia and Brunei. This expansion drive culminated in the following:

(i) Establish a new distribution centre in Brunei

On 1 March 2017, we achieved our plan to extend our distribution arm outside of East Malaysia when we successfully acquired Grandtop Marketing, a distribution company in Brunei. The acquisition provided our Group with immediate penetration into the Brunei Market supported with ready business infrastructure and warehousing facilities and provide us with access to approximately 600 sales and distribution points.

As part of the business expansion plans, we intend to move our existing warehousing facility to a larger premise to cater for the future expansion. The built-up area and capacity of the new warehousing facility are estimated to be approximately 18,000 square feet ("sq. ft.") and 916 pallets respectively, which is 3 times bigger than the existing capacity.

(ii) Acquisition of warehousing facilities in Kuching, Sarawak

On 28 February 2017, we concluded the acquisition of 100% equity interest in KTC Transpacific. Through this acquisition, we increased our warehousing facility located at Kuching, Sarawak. This additional warehousing facilities and office would have a built-up area of approximately 39,000 sq. ft. and 6,000 sq.ft. respectively.

MANAGEMENT DICUSSION AND ANALYSIS
cont'd

(iii) Construction of new warehousing facility in Kota Kinabalu, Sabah

The construction of our new warehousing facility in Kota Kinabalu, Sabah on our existing land in Kota Kinabalu Industrial Park to house and cater for the expansion of our CPG products is expected to be completed by end of December 2017. This additional warehousing facility will have an estimated built-up area of approximately 34,746 sq. ft. with 10 load/unloading bays and a capacity of 3,920 pallets.

KEY RISK AND MITIGATION

The Group monitors and minimises key risks in a structured and proactive manner. The major risks continued to be faced by the Group and the response in order to manage and minimise them are described below:

RISK	MITIGATION
We are dependent on the distribution of third party brands of CPG for our brand owners	• Continuously strive to not only to maintain our existing brands but to also keep building and enhancing our product portfolio. We are always seeking for and working on securing new brand owners and products to add to our portfolio. • Continue to secure distribution rights for new brands commanding market leadership and with products offering higher profit margins to strengthen our portfolio.
We are exposed to risk of disruptions to warehousing facilities, manufacturing facility and business operations	• Carry out regular maintenance of our machineries and equipment. • Ensure adequate insurance coverage for any accident and fire outbreak that could disrupt our business.

OUTLOOK AND STRATEGY FOR SUSTAINABLE PROFIT GROWTH MOVING FORWARD

Having successfully implemented and concluded the first phase of aggressive expansion mode embarked on in the previous financial year resulting in the increase of our business infrastructure capacities and geographic market presence in East Malaysia and Brunei to support the on-going growth of our business, we now move on to the next planned phase of consolidation to strengthen our operation in East Malaysia and Brunei to fully utilise the capacity and infrastructure we have built to reap more profitability and revenue from the enlarged scale.

The Group will also continue to expand its business in the distribution of CPG by seeking for new agencies. Margins for high volume CPG are thin and we have to strive to meet principal's targets and KPI's to qualify for the additional incentives to boost the slim margins. This imposes challenges on management to be well-informed of prevailing market conditions and satisfy the demands of our principals and customers.

In line with our planned consolidation, we will review and rationalise our current product portfolio to ensure that we are maximising our productivity and resources by streamlining non-performing brands/products.

CORPORATE SOCIAL RESPONSIBILITY

A crucial element of KTC's business has always been our network. We are committed to conducting our day-to-day activities with integrity to maintain the trust of the community. Our very success depends on the mutual growth of communities who are our customers and so we actively reach out to those in need and contribute to various causes.

CORPORATE SOCIAL RESPONSIBILITY
cont'd

KEY TO OUR SUCCESS IS OUR PEOPLE

Our human capital is critically important to all KTC stakeholders — the Board, management, its stockholders and our employees. Our track record is one of growth and innovation driven by highly capable and engaged teams. Since our inception, we have entered new businesses and completed acquisitions, both large and small.

As part of our growth — both organically and through acquisitions — and to maintain our focus on our customers, we must attract and retain the best talent around the world. The field is competitive and the expectations are high pay for performance, a diverse and inclusive work environment, significant opportunities for career growth and a culture that drives engagement, innovation and success. Our people may come from a variety of backgrounds and speak different languages, but the thing we all share is a culture that puts hard work and commitment first.

As such, KTC remains committed in providing a conducive workplace to drive the best out of each individual. The Group encourages the on-going development and enhancements of each individual's skills and talents so that our people are provided with an equal opportunity in their desired career advancement.

SUPPORTING AND GIVING BACK TO SOCIETY

Despite being buffeted by strong economic headwinds during the financial year under review, KTC as a responsible corporate citizen continued supporting and giving back to the society in which we are operating in and some of our projects for the FYE 2017 included celebrating Deepavali with persons with disabilities by distributing gifts and goodies monetary aid to them at Sabah Cheshire Home and Services in Kota Kinabalu, a registered, private, non-profit and charitable organization which provides care for persons with disabilities irrespective of race, religion and culture whilst working with them to help them to live independently.

CORPORATE GOVERNANCE STATEMENT

The Board of KTC is committed to ensure that the principles and best practices in corporate governance as set out in the Malaysian Code on Corporate Governance 2012 ("Code") are observed and practised throughout the Group so that the affairs of the Group are conducted with integrity and professionalism with the objective of safeguarding shareholders' investment and ultimately enhancing shareholders' value.

The Board is pleased to provide the following statement of how the Group has applied the principles and complied with the best practices outlined in the Code and Paragraph 15.25 of the ACE Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") during the financial year ended 30 June 2017.

PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Board Roles and Responsibilities

The Group is led by an effective and experienced Board with members from diverse backgrounds and specialisations possessing a wide range of expertise in areas such as marketing, finance, accounting, legal, internal audit (governance and risk management) and strategic innovation. Collectively, they bring a broad range of skills, experience and knowledge which gives added strength to the leadership in managing and directing the Group's operations.

The Board has on 3 December 2014, adopted a Board Charter that sets out its roles, functions, responsibilities, composition, operation and processes, that are in line with the principles of good corporate governance and requirements of AMLR of Bursa Securities. The Board Charter further defines the roles and responsibilities of the Chairman and the Managing Director. The Board Charter is subject to review periodically to ensure consistency with the Board's strategic intent and relevant standards of corporate governance. The Board Charter is available on KTC's website (www.kimteckcheong.com).

As set out in the Board Charter, the Board is responsible for:

(a) Establishing and reviewing the strategic direction and plans of the Company. The Board had reviewed and approved a three years business plan on 23 May 2016.
(b) Monitoring the implementation of strategic plans by Management. This is done on a quarterly basis as part of the annual budget and business plan review.
(c) Timely review and approve all quarterly and annually financial statements for declaration to Bursa Securities and stakeholders. The Audit and Risk Management Committee ("ARMC") reviews and recommends the financial statements prior to presentation to the Board. A robust approach and engagement with the ARMC had been carried out.
(d) Overseeing and evaluating the conduct of the businesses of the Company including the value system.
(e) Evaluate performance of the Management in accordance to pre-determined set of performance measurement and KPIs.
(f) Identifying and evaluating business risks and ensure implementation of a managed sound risk management framework. The group risk profile on key risks are evaluated on a quarterly basis.
(g) Reviewing the adequacy and integrity of the internal control system and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines. This is done though the 5 lines of defence implemented in Group.
(h) To review and oversea the appointment, resignation or termination of Directors, Company Secretaries, Auditors and key management are properly carried out and documented. This is conducted through proper exit interview of key personnel leaving the organisation and reasons established.
(i) Ensure establishment of succession plans for the Board members and senior management. This has been included as a board agenda on a periodical basis to ensure talent management is in place.
(j) Ensure the Board is supported by at least a suitably qualified and competent Company Secretary to whom shall have advice on compliance with applicable laws and any amendment to the laws and regulations related to the listing. Periodical feedback to Company Secretary is in place.
(k) Formalise ethical standards of conduct through a Code of Conduct for Directors and Management and ensure compliance. The tone and the ethos from top down is being monitored closely.
(l) Developing and implementing an investors' relations programme, shareholders or stakeholders communication policy and ensure the Company's strategies to promote sustainability. This is led by the Executive Director with the backing of the Board.

The Board has delegated certain responsibilities to Board Committees, which operate in accordance with the terms of reference approved by the Board. The Board has also delegated the day to day management of the business of the Group to the Executive Directors of the Company.

CORPORATE GOVERNANCE STATEMENT
cont'd

PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES *cont'd*

Board Roles and Responsibilities *cont'd*

The Executive Directors are primarily responsible for the implementation of policies and decisions of the Board, overseeing the Group's operations as well as co-ordinating the development and implementation of business and corporate strategies. The role of the Independent Non-Executive Directors are to provide objective and independent judgement to the decision making of the Board and as such, provide an effective check and balance to the Board's decision making process.

The following diagram shows a brief overview of the Board Committees of the Company:

BOARD OF DIRECTORS		
Audit and Risk Management Committee	**Nomination Committee**	**Remuneration Committee**
Responsibilities	**Responsibilities**	**Responsibilities**
• Oversight on the Group's financial reporting • Review quarterly financial results, unaudited and audited financial statements • Monitoring of risk management and internal control systems	• Nomination of new Directors • Annual assessment of the Board, the Board Committees and the contribution of each individual Director	• Recommending to the Board the remuneration of Executive Directors and Non-Executive Directors

Code of Conduct and Whistleblowing Policy

The Board acknowledges and emphasises the importance for all Directors and employees of KTC to embrace the highest standards of corporate governance practices and ethical standards.

In this respect, the Board has formalised a Code of Ethics and Code of Conduct since 3 December 2014. These codes are aimed to emphasise the Company's commitment to ethics and compliance with applicable laws and regulations.

The Board has also established a Whistleblowing Policy, which is available on the Company's website, so that any officer/employee or stakeholder of the Group may report genuine concerns relating to any malpractice or improper conduct related to the Group's businesses. Disclosure can be made in writing to the Chairman of the ARMC. Any whistleblowing officer or employee acting in good faith is protected from retaliation for raising such allegations. Procedures are in place for investigations and appropriate follow-up action. Board reviews this process and reporting on a regular basis.

Mr. Tan Jwee Peng, the Senior Independent Non-Executive Director of the Company is entrusted to provide the oversight on behalf of the Board.

During the financial year ended 30 June 2017, there were no whistleblowing case reported to the Senior Independent Non-Executive Director.

Supply and Access to Information

All Directors are provided with an agenda and a set of Board papers prior to the Board meetings. Sufficient notice is given to the Directors to review the said documents at least 5 days before the Board and Board Committee meetings.

Generally, the Board papers circulated include minutes of the previous meeting, quarterly and annual financial statements, corporate developments, minutes of Board Committees' meetings, acquisition and disposal proposals, updates from the Bursa Securities, list of directors' circular resolutions passed and report on the Directors dealings in securities, if any.

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES *cont'd*

Supply and Access to Information *cont'd*

The Directors, whether as a full Board or in their individual capacity, have unrestricted access to all information pertaining to the Group's business and affairs. This is to enable them to carry out their duties effectively and diligently. As and when necessary, the Board may obtain independent professional advice, at the Company's expense, in the furtherance of their duties.

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

Company Secretaries

Every Director has unhindered access to the advice and services of the Company Secretaries. The Board believes that the current Company Secretaries are capable of carrying out their duties efficiently to ensure the effective functioning of the Board. In the event that the Company Secretaries fail to fulfil their functions effectively, the terms of their appointment do permit their removal andappointment of a successor by the Board.

The Company Secretaries circulate relevant guidelines and updates on statutory and regulatory requirements from time to time forthe Directors' reference and brief the Board members on the updates quarterly. They also oversee adherence with Board policies and procedures, brief the Board on the proposed contents and timing of material announcements to be made to regulators. The Company Secretaries attend all Board and Board Committee meetings to ensure that these meetings are properly convened and that accurateand proper records of the deliberations, proceedings and resolutions passed are recorded and maintained in the statutory register at the registered office of the Company.

PRINCIPLE 2: STRENGTHEN COMPOSITION

The Board comprises eight (8) members, of whom three (3) are Executive Directors, one (1) Non-Independent Non-Executive Director and four (4) are Independent Non-Executive Directors. The Board has complied with the requirement for one third (1/3) of its members to be independent as stated in Paragraph 15.02(1) of the AMLR of Bursa Securities. There is no individual Director or group of Directors who dominates the Board's decision making.

With this composition of members, the Board is satisfied that it fairly reflects the investment of the minority shareholders and representsthe required mix of gender, skills and experience required for the effective discharge of the Board's duties and responsibilities.

A brief profile of each Director is presented on pages 8 to 15 of the Annual Report.

Nomination Committee's Statement

The Nomination Committee ("NC") comprises three (3) members, all of whom are Independent Non-Executive Directors:

Tan Jwee Peng	(Chairman)
Y.A.M. Tengku Datin Paduka Setia Zatashah Binti Sultan Sharafuddin Idris Shah	(Member)
Wee Hock Kee	(Member)

The roles and responsibilities of the NC are guided by its terms of reference which include the nomination and screening of board member candidates; the recommendation tothe Board of the candidates to fill the seats on the various Board Committees; the annual assessment of the effectiveness of the Board as a whole, the committees of the Board and the contributions of each individual Directors; and the annual review of the required mixof skills and experience, including core competencies which Non-executive Directors should bring in to the Board.

CORPORATE GOVERNANCE STATEMENT
cont'd

PRINCIPLE 2: STRENGTHEN COMPOSITION *cont'd*

Nomination Committee's Statement *cont'd*

The Board has identified Mr. Tan Jwee Peng as the Senior Independent Non-Executive Director, to whom any queries, feedbacks and concerns with regards to the Company, may be conveyed. Mr. Tan Jwee Peng is also the Chairman of the Nomination Committee in observance with recommendation 2.1 of the MCCG 2012.

During the financial year ended 30 June 2017, one (1) NC meeting was held on 16 October 2016 and attended by all the NC members.

The NC has reviewed and assessed the size of Board, required mix of skills, experience, performance and contribution of Directors, effectiveness of the Board as a whole, independence of Independent Directors and training coursesrequired by the Directors, and is satisfied with the current composition and performance of the Board.

The NC also considered the performance and contribution of the Director who stand for re-election at the forthcoming Annual General Meeting to determine whether they are eligible for re-election. The NC will recommend the re-election of Director to the Board for approval. All the retiring Director will abstained from deliberations and decisions on their own eligibility to stand for re-election at the Board Meeting.

With the current composition, the NC opines that all the Board members have the necessary knowledge, experience, requisite range of skills and competence to enable them to discharge their duties and responsibilities effectively. All Directors on the Board have extensive experience with their many years of experience on the Boards of other companies and/or also as professionals in their respective fields of expertise.

The NC will recommend to the Board on suitable candidates for appointment as Board members, member of Board Committees and Executive Director of the Company based on the following evaluation criteria:

- skills, knowledge, expertise and experience;
- professionalism;
- time commitment to effectively discharge his role as a director;
- contribution and performance;
- character, integrity and competence;
- boardroom diversity including gender diversity; and
- in the case of candidates for the position of Independent Non-Executive Directors, the NC shall also evaluate the candidates' ability to discharge such responsibilities/functions as are expected from independent non-executive directors.

The NC will arrange for the induction of any new Directors appointed to the Board to enable them to have a full understanding of the nature of the business, current issues within the Company and corporate strategies as well as the structure and management of the Company.

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 NC, 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.

Remuneration Committee

The Remuneration Committee ("RC") consists of two (2) Independent Directors and one (1) Executive Director as follows:

Y.A.M.Tengku Datin Paduka Setia Zatashah Binti Sultan Sharafuddin Idris Shah	(Chairman)
Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing	(Member)
Wee Hock Kee	(Member)

CORPORATE GOVERNANCE STATEMENT
cont'd

PRINCIPLE 2: STRENGTHEN COMPOSITION *cont'd*

Remuneration Committee *cont'd*

The Board believes in a remuneration policy that fairly supports the Directors' ability to carry out his or her responsibilities and fiduciary duties in steering and growing the Group with a view to enhance shareholders value in a sustainable manner.

The RC is responsible for evaluating, deliberating and recommending to the Board the compensation and benefits which are guided by its terms of reference, market norms and best industry practices. The RC is also responsible for evaluating the Executive Directors' remuneration which is linked to the performance of the Executive Director and performance of the Group. Executive Directors shall abstain from the deliberation and voting on decisions in respect of their own remuneration package.

The RC recommends the Directors' fees payable to the Non-Executive Directors of the Board and are deliberated and decided at the Board before it is presented at the AGM for shareholders' approval.

The aggregate remuneration of the Executive Directors and Non-Executive Directors for the financial year ended 30 June 2017 is as follows:

Group Level

Category	Salaries and other emoluments*	Fees	Total
	RM	RM	RM
Executive	1,709,469	212,120	1,921,589
Non-Executive	19,795	250,200	269,995
Total	**1,729,264**	**462,320**	**2,191,584**

Subsidiary Level

Category	Salaries and other emoluments*	Fees	Total
	RM	**RM**	**RM**
Executive	65,868	62,000	127,868

* *Other emoluments include salaries, bonuses, allowance, Employees Provident Fund contributions, and SOCSO contribution.*

An analysis of the number of Directors whose remuneration, paid by the Group, falls in respective bands of RM50,000 is set out below:

	Number of Directors	
Range of Remuneration	**Executive**	**Non-Executive**
RM50,000 and below	4	-
RM50,001 to RM100,000	-	5
RM250,001 to RM300,000	1	-
RM700,001 to RM750,000	1	-
RM800,001 to RM850,000	1	-

For security and confidential reasons, the details of individual Directors' remuneration are not shown. The Board is of the opinion that the transparency and accountability aspects of corporate governance as applicable to Director's remuneration as appropriately served by the disclosure made above.

CORPORATE GOVERNANCE STATEMENT
cont'd

PRINCIPLE 3: REINFORCE INDEPENDENCE

The Board recognises the importance of independence and objectivity in its decision making process which is in line with the Code.

Annual Assessment of Independence

The concept of independence adopted by the Board is in tandem with the definition of an Independent Director in paragraph 1.01 of the AMLR of Bursa Securities. The key element for fulfilling the criteria is the appointment of an Independent Director who is not a member of management and who is free of any relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company.

The Board, via the NC, will assess the Independent Directors' independence to ensure on-going compliance with this requirement annually.

Tenure of Independent Directors

The Board is mindful of the recommendation of the Code on limiting the tenure of Independent Directors to nine (9) years of service.

However, upon completion of the nine (9) years, the Independent Director may continue to serve the Board subject to the Director's re-designation as Non-Independent Director. Otherwise, the Board shall, in appropriate cases and subject to the assessment of the NC on an annual basis, justify and seek shareholders' approval in the event it retains the Independent Director.

Currently, none of the Director has served the Company as an independent director for a cumulative term of more than 9 years.

Chairman and Managing Director

There is a clear division of responsibilities between the roles of the Chairman and Managing Director to ensure that there is equilibrium of power and authority in managing and directing the Group. The Chairman is primarily responsible for the effective and efficient conduct and working of the Board whilst the Managing Director oversees the day-to-day management of Group's business operations and implementation of policies and strategies adopted by the Board.

Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra is the Chairman of the Board whilst the Group Managing Director is Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing.

The Board delegates to the Group Managing Director (supported by the Executive Directors and the Management) the implementation of the Company's strategic plan, policies and decision adopted by the Board to achieve the Company's objective of creating long term value for its shareholders.

PRINCIPLE 4: FOSTER COMMITMENT

Time Commitment

The Board meets at least four (4) times a year or more when circumstances require. Where appropriate, decisions are also made by way of circular resolutions in between scheduled meetings during the financial year.

Senior management and/or external advisors may be invited to attend Board meetings to advise and/or furnish the Board with information and clarification needed on relevant items on the agenda to enable the Directors to arrive at a considered decision.

All Board meetings are furnished with proper agendas with due notice issued and Board papers and reports are prepared by the Management and circulated prior to the meetings to all Directors with sufficient time to review them for effective discussions and decision making during the meetings.

All pertinent issues discussed at the Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretary.

CORPORATE GOVERNANCE STATEMENT
cont'd

PRINCIPLE 4: FOSTER COMMITMENT *cont'd*

Time Commitment *cont'd*

The Board met 5 times during the financial year under review. The details of Directors' attendance are set out as follows:

Name of Directors	Designation	Total Meetings attended
Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra	Independent Non-Executive Chairman	5/5
Mr. Tan Jwee Peng	Senior Independent Non-Executive Director	4/5
Y.A.M. TengkuDatin Paduka SetiaZatashah Binti Sultan Sharafuddin Idris Shah	Independent Non-Executive Director	5/5
Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing	Non-Independent Managing Director	4/5
Y. Bhg. Datin Lim Fook Len @ Lim Su Chin *(Present via tele-conferencing)*	Non-Independent Non-Executive Director	4/5
Mr. Lau Wei Dick @ Dexter Dick Lau	Non-Independent Executive Director	5/5
Mr. Lim Hui Kiong	Non-Independent Executive Director	5/5
Mr. Wee Hock Kee	Independent Non-Executive Director	5/5

Directors' Training

The Board acknowledges the importance of constantly updating itself on the industry's direction and development. They are provided with the opportunity for training in areas such as new laws and regulations, financial reporting, risk management and investor relations in order to equip themselves with the knowledge to effectively discharge their duties.

All Directors have completed the Mandatory Accreditation Programme. The Directors are mindful that they shall continue to enhance their skills and knowledge to maximise their effectiveness as Directors during their tenure.

During the financial year under review, the Board have attended individually or collectively seminar(s), conference(s) and/or training(s) to continuously upgrade their skills and to keep abreast with current developments.

During the financial year ended 2017, all the Directors have attended the following briefings:

Date	Topics
23 February 2017	Briefing on Companies Act, 2016 by the Company Secretary
22 May 2017	Update on Malaysian Code on Corporate Governance by Audex Governance Sdn Bhd

Name of Director	Panel / Trainer for the following courses	Date
Wee Hock Kee	Corporate Governance Review – Roadmap to Boardroom Presence (The Institute of Internal Auditors Malaysia)	5 – 6 September 2016
	Customised Company Secretaries Programme – Druk Holdings & Investments Limited (DHI) Bhutan by Malaysian Directors Academy (MINDA)	28 – 30 September 2016
	Governance, Risk and Compliance Alumni Forum 2016 – Tricor Services (Malaysia) Sdn Bhd	19 October 2016
	Capital Market Director Programme (CMDP): Directors as gatekeepers of market participants (Session 1) - Securities Industry Development Corporation	22 August 2016
	Capital Market Director Programme (CMDP): Directors as gatekeepers of market participants (Session 2) - Securities Industry Development Corporation	26 August 2016

CORPORATE GOVERNANCE STATEMENT
cont'd

PRINCIPLE 4: FOSTER COMMITMENT *cont'd*

Directors' Training *cont'd*

During the financial year ended 2017, all the Directors have attended the following briefings: *cont'd*

Name of Director	Panel / Trainer for the following courses	Date
Wee Hock Kee	Risk Management and Internal Control Workshop: Is Our Line of Defence Adequate and Effective - For Bursa Securities	10 October 2016
	Customised Company Directors Programme (CCDP) - Bank Pertanian Malaysia Berhad (Agrobank) by MINDA	18 November 2016
	Corporate Governance Review: Are Internal Audit and Audit Committees / Board and Governance Stakeholders In Sync - Public Bank Berhad	7 – 8 February 2017
	Audit Committee Conference 2017 - The Institute of Internal Auditors Malaysia	5 April 2017
	Sustaining Business Growth with Sound Governance, Risk Management, Internal Control and Compliance – Bursa Malaysia	18 April 2017 and 3 May 2017
	Essentials of Directorship Anatomy of Corporate Governance – Petroliam Nasional Berhad	2 May 2017
	Perception Meets Reality: Malaysian Family Owned Businesses (FOBs) by MINDA	9 May 2017
	Corporate Directors Advanced Programme (CDAP): The New Malaysian Code on Corporate Governance (MCCG) 2017 by MINDA	13 June 2017

In addition, the Directors receive regular briefings and updates on the Group's businesses, operations, risk management activities, AMLR and relevant law updates.

Moving forward, the Board entrust the Nomination Committee to assess the training needs of each director .

PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

Financial Reporting

In presenting the annual audited financial statements and interim financial statements on a quarterly basis to the shareholders, the Board is responsible to present a clear, balanced and understandable assessment of the Group's performance and position. The ARMC assists the Board in reviewing the Group's financial reporting process and accuracy of its financial results and scrutinising information for disclosure to ensure accuracy, adequacy, completeness and compliance with the accounting standards.

The ARMC comprises three (3) members, all of whom are Independent Non-executive Directors. The composition of the ARMC, including its roles and responsibilities are set out on pages 42 to 44 under ARMC Report of this Annual Report.

The Board recognised the value of an effective ARMC in ensuring that the Company's financial statements are reliable source of financial information by establishing procedures, via the ARMC in assessing the suitability and independence of the External Auditors.

Timely release of quarterly results announcements, annual financial statements and annual reports reflects the Board's commitment to provide transparent and up-to-date disclosures to the public.

Suitability and Independence of Internal and External Auditors

The ARMC and Board place great emphasis on the objectivity and independence of the external auditors in providing true and fair report to the shareholders. Through the ARMC, the Board maintains a transparent relationship with the Internal and External Auditors in seeking professional advice on the internal control and ensuring compliance with the appropriate accounting standards. The ARMC is empowered to communicate directly with the external and internal auditors and vice versa to highlight any issues of concern at any point in time.

CORPORATE GOVERNANCE STATEMENT
cont'd

PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING *cont'd*

Suitability and Independence of Internal and External Auditors *cont'd*

The Internal Auditors met the ARMC at one (1) time during the financial year to discuss the nature, scope of the audit, audit programme, internal controls and issues that may require the attention of the ARMC or the Board. Audit Plan was also discussed on that score taking into account of the control environment, historical risk and control matters and the ongoing risk exposure to the Group.

The ARMC ensures the external audit function is independent of the activities it audits and reviews the contracts for the provision of non-audit services by the External Auditors in order to make sure that it does not give rise to conflict of interests. The excluded contracts would include management consulting, strategic decision, internal audit and standard operating policies and procedures documentation.

During the financial year under review, the fees for External Auditors were RM155,454 (2016: RM118,000) in audit fee and RM69,000 (2016: 109,000) for non-audit fee for services rendered by the External Auditors to the Group for the financial year ended 30 June 2017.

The breakdown of the audit fee and non-audit fee is as follows:

	Audit Fee RM	Non-audit Fee RM	Total RM
- Company	25,000	69,000	94,000
- Group	155,454	69,000	224,454

The External Auditors have confirmed to the ARMC that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the independence criteria set out by the Malaysian Institute of Accountants.

In compliance with AMLR of Bursa Securities and the Code, the ARMC within its duties reviews the scope of work, independence, objectivity and findings and recommendations of the audits conducted by both the Internal and External Auditors.

The ARMC also made arrangements to meet and discuss with the Internal and External Auditors separately without the presence of Management on any matters relating to the Group and its audit activities on 7 September 2016.

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 approve accounting standards and give a true and fair view of the state of affairs, the results and cash flows of the Group and the Company.

The Board is satisfied that in preparing the financial statements of the Group and the Company for the financial year ended 30 June 2017, 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.

CORPORATE GOVERNANCE STATEMENT
cont'd

PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

Risk Management and Internal Control

The Board is ultimately responsible for the establishment of a sound framework to manage risks. The COSO Framework and best practices in Enterprise Risk Management were adopted. The ARMC is responsible to formulateand implement risk management policies and strategies. The ARMC also monitors and manages principal risks exposure by ensuring Management has taken necessary steps to mitigate such risks and recommends actions, where necessary.

The Statement on Risk Management and Internal Control as set out on pages 45 to 48 of this Annual Report provides an overview of thestate of risk management activities within the Group.

Internal Audit Function

The Company continues to maintain and review its internal control procedures to ensure, as far as possible, the protection of its assets and its shareholders' investments. The ARMC is assigned by the Board with the duty to review the adequacy and effectiveness of the internal control procedures and report to the Board on major findings for deliberation. The Board put a lot of emphasis on this third line of defence in the Group's assurance process.

The membership, terms of reference and activities of ARMC as well as the activities of the internal audit function are detailed in the ARMC Report of this Annual Report.

PRINCIPLE 7: TIMELY AND HIGH QUALITY DISCLOSURE

Leverage of Information Technology for Effective Dissemination of Information

The Group recognises the importance of communication with its shareholders and utilises many channels to disseminate information and to interact with them. To augment the process of disclosure, the Group has a website in which shareholders and the public can access up-to-date information about the business and the Group. The Group's website call be accessed via *www.kimteckcheong.com.*.

In addition, the Group also releases financial results on a quarterly basis. The Group also aims to have full interaction with fund managers, bankers and analysts. The Chief Executive Officer is designated to communicate and meet with bankers and analysts to brief them on the ongoing business scenario. Information is disseminated in strict adherence to disclosure requirements of Bursa Securities.

Corporate Disclosure Policies and Produres

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Group to the regulators, shareholders and stakeholders. Steps will be taken to formalise pertinent corporate disclosure policies to comply with the disclosure requirements as stipulated in the AMLR of Bursa Securities, and to set out the persons authorised and responsible to approve and disclose material information to shareholders and stakeholders.

PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

The Board recognises the importance of effective communication with shareholders and the investment community, and adheres strictly to the disclosure requirements of Bursa Securities.

The Annual General Meeting ("AGM") is the principal forum for dialogue with the shareholders. At the AGM, the Board provides opportunity for shareholders to raise questions pertaining to the business activities of the Group. All Directors are available to respond to questions from the shareholders at the AGM. The External Auditors are also present to provide professional and independent clarification on issues and concerns raised by the shareholders.

Notices of AGM and annual reports will be sent to the shareholders at least 21 days ahead of the meeting date to enable shareholders to have sufficient time to peruse the annual report and papers supporting the resolutions proposed.

To keep the shareholders and investors informed on the Group's latest business and corporate development, information is disseminated via Annual Report, circular to shareholders, press releases, quarterly financial results and various announcements made from time to time to Bursa Securities and made available on KTC's website.

CORPORATE GOVERNANCE STATEMENT

cont'

PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS *cont'd*

Pursuant to the amended Listing Requirements, the Company will ensure that all shareholders' resolutions put forward by the Company in the forthcoming AGM, will be voted by poll. The votes cast at the general meetings will be verified thereat by an independent scrutineer. In event such scrutineer is interested in any resolutions to be passed at the general meetings, including the forthcoming AGM, the scrutineer concerned must refrain from acting as the scrutineer for the particular resolution.

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 20 October 2017.

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The Board of KTC is pleased to present the report on the Audit and Risk Management Committee ("ARMC") of the Board for the financial year ended 30 June 2017.

The ARMC was established on 3 December 2014 by the Board to assist the Directors to carry out their responsibilities. The ARMC is guided by its Terms of Reference as approved by the Board. The ARMC supports and assumes the oversight function in the area of governance, risk management and internal control hence no separate Risk Management Committee was established.

In carrying out their duties, the ARMC updated the Board on the issues and concerns discussed during their meetings including those raised by the auditors and where appropriate, made the necessary recommendations to the Board and shall continue to do so from time to time. The AMRC had private meetings with the External and Internal Auditors respectively.

The ARMC had deliberated at length the Audit Review Memorandum and Internal Audit Reports presented by the External and Internal Auditors respectively as part of the ongoing process to strengthen the financial control and financial reporting framework.

The Company Secretary acts as the secretary to the ARMC and circulates the minutes of the ARMC Meetings to all members of the ARMC. The Chairman of the ARMC presents the Committee's reports to the Board and update the progress and status of recommendations of the internal audit findings to the Board on quarterly basis.

MEMBERSHIP AND MEETINGS

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

Name	Designation	No. of meetings attended
Wee Hock Kee (Chairman)	Independent Non-Executive Director	5/5
Y.A.M. Tengku Datin Paduka Setia Zatashah Binti Sultan Sharafuddin Idris Shah (Member)	Independent Non-Executive Director	5/5
Tan Jwee Peng (Member)	Senior Independent Non-Executive Director	4/5

SUMMARY OF ACTIVITIES

ARMC's principal activities during the financial year are as summarised 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;
- Engaged the service of Audex Governance Sdn Bhd ("Audex"), an outsourced internal auditor to facilitate the Risk Management Framework of the Group;
- Reviewed risk management reports and internal audit reports issued by Audex;
- 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.

External Audit

- Reviewed and approved the external auditor's audit plan and the scope for the annual audit;
- Assessed the performance of the external auditors and recommended their appointment and remuneration to the Board;
- Met with the external auditors without the presence of Executive Directors and Management;
- Reviewed the Audit Review Memorandum for the financial year ended 30 June 2017.

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

cont'd

SUMMARY OF ACTIVITIES *cont'd*

Financial Results

- Reviewed the quarterly and annual financial statements of the Company and Group, including announcements, and recommended them to the Board for approval.

Related Party Transactions

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

Others

- Reviewed the delegation of authorities;
- Review the quality of the internal audit function;
- Reviewed the Accident Reports by the Human Resource Director in quarterly basis.

INTERNAL AUDIT FUNCTION

The main role of the internal audit function is to review the effectiveness of the system of internal control and this is performed with impartiality, proficiency and due professional care.

During the financial year ended 30 June 2017, the Group's internal audit function, which was carried out by Audex, is guided by its Audit Charter and carries out its audit activities based on the audit plan reviewed and approved by the ARMC. The Internal Audit methodology used is Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and International Professional Practices Framework (IPPF) Issued by The Institute of Internal Auditors.

During the financial year ended 30 June 2017, the ARMC reviewed the following reports as presented by Audex:

(a) Internal Audit Report on KTC Sarawak – Sibu and Miri:
- Inventory Management
- Credit Control and Collection
- Cash Management

(b) Follow up on Management's Action Plans:
- Procurement Management
- Human Resource Management
- Production
- General

(c) Risk Assessment Report on the updates of Key Risk Profiles ("KRP)

(d) Follow up on the Internal Audit Report on Kim Teck Cheong Consolidated Berhad and KTC Tawau

(e) Internal Audit Report on KTC Sdn Bhd, KTC Distribution and KTC Borneo:
- Sales and Marketing
- Inventory Management
- Business Development

(f) Follow up Audit Reports dated 22 August 2016 and 10 December 2014

(g) Internal Audit Report on Kim Teck Cheong Consolidated Berhad and KTC Tawau:
- Treasury Management
- Financial Statement Close Process
- Fixed Asset Management
- Management Information System (Business Continuity)

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE
cont'd

INTERNAL AUDIT FUNCTION *cont'd*

Internal audit reports are issued by Audex 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 Audex.

ARMC had deliberated at length the findings and key risks and have provided the Internal Auditors a number of areas for coverage in 2017 audit plan both financial and non- financial risk and control areas.

Cost for the internal audit function

The cost incurred for internal audit function for the financial year ended 30 June 2017 is RM138,000 (2016: RM46,000).

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

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

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

RESPONSIBILITY OF THE BOARD

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

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

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

RISK MANAGEMENT FRAMEWORK

The Group adopts the Organisation of Treadway Commission ("COSO") for the enterprise risk management which sets outs the risk management assessment, risk mitigation, risk implementation, risk reporting and risk oversight. For the internal control framework, the Group adopts the COSO framework as a guideline for evaluating the adequacy and effectiveness addressing financial, operational, compliance and enterprise risks.

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

A working group, comprising key personnel from all departments provides risk management support to the top management for the Group as a whole. The role of the working group includes reporting on quarterly basis, the status of the risk mitigation actions, new and emergingrisks identified and the effectiveness of internal control design. These line assurances are then reported to ARMC for their oversight review and thereafter to the Board on any significant changes in the business and external environment which affect key risks.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

RISK MANAGEMENT FRAMEWORK *cont'd*

The Group adopts the risk management five lines of defense to ensure all levels of the organisation take full responsibility for the risk and control ownership. This is depicted by the diagram below:

Line of defence				
First	**Second**	**Third**	**Fourth**	**Fifth**
Front line operating management	**Risk control and compliance functions**	**Internal audit**	**Audit and risk management committee**	**The Board**
• Own, manage and control risks	• Monitor and control risk in support of management	• Provides independent assurance to the Board and senior management concerning the effectiveness of management of risk and control	• Provides oversight to the Board on the effectiveness of line management assurance and independent assurance	• Provides leadership and directions on risk and control framework

KEY INTERNAL CONTROL PROCESSES

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

1. **Authority and Responsibility**

   a) ***Board Committee***

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

   b) ***Delegation of Authority***

   In the financial year, the Management has implemented a revised Delegation of Authority, which is in line with the growth of the business in the organization. The revised delegation of authority that was tabled in the ARMC meeting on 28 August 2017 clearly defines the authority and authorisation limits of the Management in all aspects of the Group's key business decisions.

2. **Monitoring and Reporting**

   Monthly management meetings are led by the respective country heads for various lines of operations and business units, on key business performance, operating statistics and regular matters. This enables effective monitoring of significant variances and deviation from standard operating procedures and budget. The Board is also kept appraised of the Group's performance during the scheduled board meetings with the Group's business performance and plans being reviewed and deliberated. Budget and actual performance and business review is presented to the ARMC on a quarterly basis. Any variances are explained ad explained and followed up with clear corrective measures.

3. **Policies and Procedures**

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

   Flow charts of policies and procedures are documented to support the Group in achieving its corporate and business objectives. These documented flow charts provide a basis for ensuring compliance with applicable laws and regulations, and also internal controls with respect to the conduct of business for all the branches.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

KEY INTERNAL CONTROL PROCESSES *cont'd*

4. Human Capital

a) *Performance appraisal & employee trainings*

Annual appraisal systems are implemented for the employees at all levels within the Group, enforcing dialogue between management and subordinates for continuous improvement on employees' performance. Arising from this appraisal, training need analysis is performed to identify the required training for employees to address the areas of improvement identified. The Group adopts a performance based reward system with clear key performance indicators set for all departmental heads.

b) *Code of ethics*

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

c) *Whistleblowing policy*

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

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

On a quarterly basis, the Head of Human Resource reports to the ARMC on the status of the whistleblowing process.

d) *Fraud policy*

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

5. Insurance

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

6. Internal Audit

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

Acting as the third layer of defence in internal control, the Internal Audit reviews for the Group based on a risk based internal audit plan approved by the ARMC. The scope and coverage is reviewed by the ARMC on a quarterly basis.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the Market Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the financial year ended 30 June 2017 and reported to the Board that nothing has come to their attention that caused them to believe that the Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy, integrity and effectiveness of the system of risk management and internal control.

This statement is approved by the Board of Directors on 20 October 2017.

THE BOARD'S CONCLUSION

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

The five lines of defence of an integrated assurance will continue to be monitored for effectiveness by the Board.

The Board of Directors of Kim Teck Cheong Consolidated Berhad

Date : 20 October 2017

ADDITIONAL INFORMATION

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

1. UTILISATION OF PROCEEDS

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

Purposes		Proposed utilisation RM'000	Actual utilisation RM'000	Deviation RM'000	Estimated timeframe for use (from the listing date)
(i)	Acquisition of warehousing facilities including land and building, in Sibu, Miri and Kuching	9,000	3,000	6,000	Within 24 months
(ii)	Construction of new warehousing facility in Kota Kinabalu, Sabah	2,000	2,000	-	Within 18 months
(iii)	Purchase of equipment for the following:				
	(a) new warehousing facility in Kota Kinabalu, Sabah	1,000	1,000	-	Within 18 months
	(b) three (3) production lines for bakery products in Sabah	1,000	1,000	-	Within 12 months
	(c) a production line for bakery products in Sarawak	1,000	-	1,000	Within 24 months*
(iv)	Working capital	4,700	4,700	-	Within 12 months
(v)	Estimated listing expenses	2,600	2,600	-	Upon Listing
Total gross proceeds		21,300	14,300	7,000	

Note:

* *As per the announcement dated 25 November 2016, the timeframe for utilisation has been extended for an additional 12 months from its initial utilisation timeframe of within 12 months from the listing date as per the Prospectus of the Company dated 28 October 2015.*

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

2. NON-AUDIT FEES

The non-audit fees paid to the external auditors of the Company in relation to the services rendered for the Group for the financial year ended 30 June 2017 amounted to RM69,000 (2016: RM109,000) for review of interim financial information, review of statement of risk management and internal control, review of supplementary information on the disclosure of realised and unrealised profits and losses.

ADDITIONAL INFORMATION
cont'd

3. REVALUATION POLICY ON LANDED PROPERTIES

The Company will revalue the leasehold land and buildings every five years or when there is indication that the fair value of the leasehold land and buildings defer materially from the carrying amounts.

4. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and/or its subsidiaries during the financial year ended 30 June 2017 or entered into since the end of the previous financial year, which involves the interest of Directors and/or major shareholders.

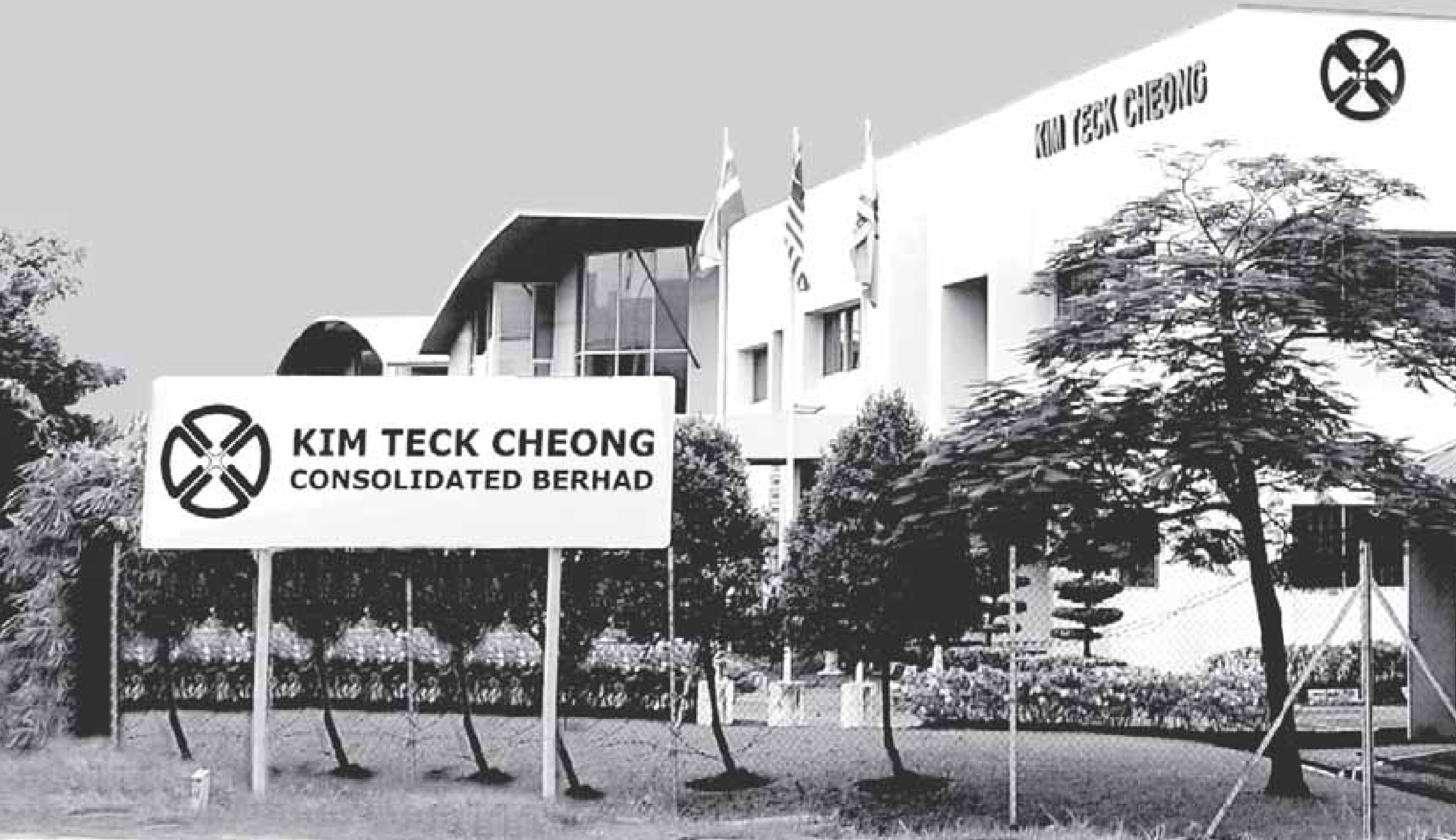
5. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There were no options, warrants or convertible securities issued during the financial year ended 30 June 2017.

6. SANCTION AND/OR PENALTY IMPOSED

There was no sanction and/or penalty imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year ended 30 June 2017.

FINANCIAL STATEMENTS



DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2017.

PRINCIPAL ACTIVITY

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

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

RESULTS

	Group RM	Company RM
Profit/(Loss) for the financial year	1,584,199	(1,799,210)
Attributable to:		
Owners of the Company	1,115,035	(1,799,210)
Non-controlling interests	469,164	-
	1,584,199	(1,799,210)

DIVIDENDS

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

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

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

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

DIRECTORS' REPORT
cont'd

DIRECTORS

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

Datuk Deleon Quadra @ Kamal Quadra
Datuk Lau Koh Sing @ Lau Kok Sing *
Datin Lim Fook Len @ Lim Su Chin *
Lau Wei Dick @ Dexter Dick Lau *
Lim Hui Kiong *
Tan Jwee Peng
Tengku Datin Paduka Setia Zatashah Binti Sultan Sharafuddin Idris Shah
Wee Hock Kee

* Directors of the Company and certain subsidiaries

NAME OF DIRECTORS OF THE SUBSIDIARIES OF THE COMPANY

The names of the directors of the subsidiaries of the Company during the period from the end of the financial to the date of the report are:

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

DIRECTORS' INTERESTS

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

Interest in the Company

		Number of ordinary shares			
		At 1 July 2016	Bought	Sold	At 30 June 2017
Indirect interests:					
Datuk Lau Koh Sing @ Lau Kok Sing	*	368,277,000	-	-	368,277,000
Lau Wei Dick @ Dexter Dick Lau	*	368,277,000	-	-	368,277,000
Lim Hui Kiong	*	368,277,000	-	-	368,277,000

DIRECTORS' INTERESTS *cont'd*

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

		Number of ordinary shares			
		At 1 July 2016	**Bought**	**Sold**	**At 30 June 2017**
Direct interests:					
Datuk Lau Koh Sing @ Lau Kok Sing		3,142,692	-	-	3,142,692
Lim Hui Kiong		810,943	-	-	810,943
Indirect interests:					
Datuk Lau Koh Sing @ Lau Kok Sing	*	11,969,057	-	-	11,969,057
Lau Wei Dick @ Dexter Dick Lau	*	11,969,057	-	-	11,969,057

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

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

	Number of ordinary shares			
	At 1 July 2016	**Bought**	**Sold**	**At 30 June 2017**
Direct interests:				
Datuk Lau Koh Sing @ Lau Kok Sing	75,231	-	-	75,231
Datin Lim Fook Len @ Lim Su Chin	1,036	-	-	1,036
Lau Wei Dick @ Dexter Dick Lau	43,056	-	-	43,056

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

The other directors in office at the end of the financial year did not have any interest in ordinary shares of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 22 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

DIRECTORS' REPORT
cont'd

INDEMNITY TO DIRECTORS AND OFFICERS

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

SUBSIDIARIES

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

HOLDING COMPANIES

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 31 to the financial statements.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 21 to the financial statements.

INDEMNITY TO AUDITORS

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

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

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

DATUK LAU KOH SING @ LAU KOK SING
Director

LAU WEI DICK @ DEXTER DICK LAU
Director

Date: 20 October 2017

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
ASSETS					
Non-current Assets					
Property, plant and equipment	5	73,185,841	60,301,852	94,716	55,809
Investment in subsidiaries	6	-	-	89,311,301	84,875,739
Goodwill on consolidation	7	5,981,384	5,981,384	-	-
Other intangible asset	8	157,928	236,892	-	-
Deferred tax assets	9	127,135	267,887	127,135	267,887
		79,452,288	66,788,015	89,533,152	85,199,435
Current Assets					
Inventories	10	79,644,492	60,413,760	-	-
Trade and other receivables	11	114,884,643	93,954,033	12,630,457	6,258,047
Tax assets		2,785,317	1,269,744	39,160	18,750
Deposits, cash and bank balances	12	2,776,931	21,998,887	163,813	12,615,539
		200,091,383	177,636,424	12,833,430	18,892,336
TOTAL ASSETS		279,543,671	244,424,439	102,366,582	104,091,771

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2017
cont'd

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
EQUITY AND LIABILITIES					
Equity					
Share capital	13	99,360,373	75,029,558	99,360,373	75,029,558
Share premium	14	-	24,330,815	-	24,330,815
Other reserves	15	9,231,138	9,495,625	-	-
Reorganisation deficit	16	(47,962,248)	(47,962,248)	-	-
Retained earnings/(Accumulated losses)		30,193,594	28,895,581	(5,138,663)	(3,339,453)
		90,822,857	89,789,331	94,221,710	96,020,920
Non-controlling interests		3,139,477	866,252	-	-
TOTAL EQUITY		93,962,334	90,655,583	94,221,710	96,020,920
Liabilities					
Non-current Liabilities					
Loans and borrowings	17	19,544,486	14,703,888	-	-
Deferred tax liabilities	9	6,360,829	5,657,157	-	-
		25,905,315	20,361,045	-	-
Current Liabilities					
Trade and other payables	18	25,627,278	31,208,436	8,144,872	8,070,851
Loans and borrowings	17	133,590,784	102,169,051	-	-
Tax liabilities		457,960	30,324	-	-
		159,676,022	133,407,811	8,144,872	8,070,851
TOTAL LIABILITIES		185,581,337	153,768,856	8,144,872	8,070,851
TOTAL EQUITY AND LIABILITIES		279,543,671	244,424,439	102,366,582	104,091,771

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Revenue	20	428,565,859	341,125,907	4,386,423	1,849,943
Cost of sales		(375,871,859)	(297,950,234)	-	-
Gross profit		52,694,000	43,175,673	4,386,423	1,849,943
Other income		3,912,534	3,069,398	57,755	146,195
Administrative expenses		(15,644,063)	(13,803,100)	(6,102,636)	(4,939,978)
Selling and distribution expenses		(27,990,660)	(22,013,303)	-	-
Other expenses		(2,751,831)	(2,236,768)	-	-
		(46,386,554)	(38,053,171)	(6,102,636)	(4,939,978)
Operating profit/(loss)		10,219,980	8,191,900	(1,658,458)	(2,943,840)
Finance costs		(7,231,399)	(4,975,070)	-	-
Profit/(Loss) before tax	21	2,988,581	3,216,830	(1,658,458)	(2,943,840)
Tax (expense)/credit	23	(1,404,382)	(1,286,852)	(140,752)	267,887
Profit/(Loss) for the financial year		1,584,199	1,929,978	(1,799,210)	(2,675,953)
Other comprehensive (loss), net of tax					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of a foreign operation		(81,509)	-	-	-
Total comprehensive income/ (loss) for the financial year		1,502,690	1,929,978	(1,799,210)	(2,675,953)

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

cont'd

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Profit/(Loss) attributable to:					
Owners of the Company		1,115,035	1,851,566	(1,799,210)	(2,675,953)
Non-controlling interests		469,164	78,412	-	-
		1,584,199	1,929,978	(1,799,210)	(2,675,953)
Total comprehensive income/ (loss) attributable to:					
Owners of the Company		1,033,526	1,851,566	(1,799,210)	(2,675,953)
Non-controlling interests		469,164	78,412	-	-
		1,502,690	1,929,978	(1,799,210)	(2,675,953)
Basic earnings per share (sen)	24	0.22	0.41		
Diluted earnings per share (sen)	24	0.17	0.30		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Group	Note	Share Capital RM	Share Premium RM	Revaluation Reserve RM	Exchange Reserve RM	Reorganisation Deficit RM	Retained Earnings RM	Sub-total RM	Non-controlling Interests RM	Total Equity RM
		← Attributable to owners of the Company					→			
At 1 July 2016		75,029,558	24,330,815	9,495,625	-	(47,962,248)	28,895,581	89,789,331	866,252	90,655,583
Total comprehensive income for the financial year										
Profit for the financial year, representing total income		-	-	-	-	-	1,115,035	1,115,035	469,164	1,584,199
Realisation of revaluation reserve	15	-	-	(182,978)	-	-	182,978	-	-	-
Translation differences		-	-	-	(81,509)	-	-	(81,509)	-	(81,509)
Transactions with owners										
Adjustment for effect of CA 2016*		24,330,815	(24,330,815)	-	-	-	-	-	-	-
Non-controlling interests arising from acquisition of a new subsidiary		-	-	-	-	-	-	-	1,804,061	1,804,061
Total transactions with owners		24,330,815	(24,330,815)	-	-	-	-	-	1,804,061	1,804,061
At 30 June 2017		99,360,373	-	9,312,647	(81,509)	(47,962,248)	30,193,594	90,822,857	3,139,477	93,962,334

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

cont'd

Group	Note	← Attributable to owners of the Company: Share Capital RM	Share Premium RM	Revaluation Reserve RM	Reorganisation Deficit RM	Retained Earnings RM	Sub-total RM →	Non-controlling Interests RM	Total Equity RM
At 1 July 2015 (unaudited)		2	-	9,671,422	(63,500)	26,868,218	36,476,142	-	36,476,142
Total comprehensive income for the financial year									
Profit for the financial year, representing total income		-	-	-	-	1,851,566	1,851,566	78,412	1,929,978
Realisation of revaluation reserve	15	-	-	(175,797)	-	175,797	-	-	-
Transactions with owners									
Shares issued for acquisition of subsidiaries		60,829,556	18,413,849	-	(47,898,748)	-	31,344,657	787,840	32,132,497
Public issue of shares		14,200,000	7,100,000	-	-	-	21,300,000	-	21,300,000
Share issue expenses		-	(1,183,034)	-	-	-	(1,183,034)	-	(1,183,034)
Total transactions with owners		75,029,556	24,330,815	-	(47,898,748)	-	51,461,623	787,840	52,249,463
At 30 June 2016		75,029,558	24,330,815	9,495,625	(47,962,248)	28,895,581	89,789,331	866,252	90,655,583

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

cont'd

Company	Share Capital RM	Share Premium RM	Accumulated Losses RM	Total Equity RM
At 1 July 2015	2	-	(663,500)	(663,498)
Total comprehensive loss for the financial year				
Loss for the financial year, representing total comprehensive loss	-	-	(2,675,953)	(2,675,953)
	2	-	(3,339,453)	(3,339,451)
Transactions with owners				
Shares issued for acquisition of subsidiaries	60,829,556	18,413,849	-	79,243,405
Public issue of shares	14,200,000	7,100,000	-	21,300,000
Share issue expenses	-	(1,183,034)	-	(1,183,034)
Total transaction with owners	75,029,556	24,330,815	-	99,360,371
At 30 June 2016	75,029,558	24,330,815	(3,339,453)	96,020,920
Total comprehensive loss for the financial year				
Loss for the financial year, representing total comprehensive loss	-	-	(1,799,210)	(1,799,210)
Adjustment for effect of CA 2016 *	24,330,815	(24,330,815)	-	-
At 30 June 2017	99,360,373	-	(5,138,663)	94,221,710

* *Pursuant to Section 618(2) of the CA 2016, any amount standing to the credit of the share premium account shall become part of the share capital. Notwithstanding this, the Group may within 24 months upon commencement of the CA 2016 use the amount standing to the credit of the share premium account of RM24,330,815 for the purposes set out in Section 618(3) of the CA 2016.*

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Cash Flows from Operating Activities					
Profit/(Loss) before tax		2,988,581	3,216,830	(1,658,458)	(2,943,840)
Adjustments for:					
Amortisation of intangible asset		78,964	78,964	-	-
Bad debt written off		1,788	38,818	-	-
Depreciation of property, plant and equipment	5	3,542,234	2,957,521	18,076	6,201
Gain on bargain purchase arising from acquisition of subsidiaries	6	(2,173,487)	(1,824,858)	-	-
Gain on disposal of property, plant and equipment		(7,499)	(79,226)	-	-
Interest income		(228,034)	(264,626)	(21,935)	(91,259)
Income distribution from short-term fund		-	(54,936)	-	(54,936)
Interest expense		7,231,399	4,975,070	-	-
Inventories written off		2,347,591	2,113,098	-	-
Impairment loss on:					
- trade receivables		384,675	49,091	-	-
- other receivables		21,672	-	-	-
Property, plant and equipment written off		206	3	-	-
Operating profit/(loss) before working capital changes		14,188,090	11,205,749	(1,662,317)	(3,083,834)
Inventories		(16,846,612)	(1,354,442)	-	-
Trade and other receivables		(14,525,287)	(6,150,991)	(889,700)	(1,015,290)
Trade and other payables		(12,542,449)	(47,410,249)	424,564	(89,232)
Net cash flows used in operations		(29,726,258)	(43,709,933)	(2,127,453)	(4,188,356)
Tax paid		(2,812,197)	(3,138,283)	(20,410)	(18,750)
Interest paid		(1,142,549)	(1,083,946)	-	-
Interest received		228,034	264,626	21,935	91,259
Net cash flows used in operating activities, carried forward		(33,452,970)	(47,667,536)	(2,125,928)	(4,115,847)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

cont'd

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Net cash flows used in operating activities, carried forward		(33,452,970)	(47,667,536)	(2,125,928)	(4,115,847)
Cash Flows from Investing Activities					
Acquisition of subsidiaries, net of cash acquired	6	(4,482,442)	(6,614,219)	(4,435,562)	(5,632,334)
Income distribution from short-term fund		-	54,936	-	54,936
Advances to subsidiaries		-	-	(5,482,710)	(5,235,716)
Proceeds from disposal of property, plant and equipment		7,500	180,345	-	-
Purchase of property, plant and equipment	5	(5,264,417)	(2,005,954)	(56,983)	(62,010)
Net cash flows used in investing activities		(9,739,359)	(8,384,892)	(9,975,255)	(10,875,124)
Cash Flows from Financing Activities					
Advances from directors		22,834	-	-	-
(Repayments to)/Advances from subsidiaries		-	-	(350,543)	7,489,542
Drawdown of bankers' acceptance		398,664,090	251,131,669	-	-
Drawdown of revolving credit		8,000,000	10,000,000	-	-
Drawdown of term loans		525,712	1,068,253	-	-
Interest paid		(6,088,850)	(3,891,124)	-	-
Proceeds from issuance of ordinary shares		-	21,300,000	-	21,300,000
Repayments of bankers' acceptance		(394,117,979)	(224,513,302)	-	-
Drawdown/(Repayments) of finance lease liabilities		(699,739)	(635,215)	-	-
Drawdown of trust receipts		2,184,953	-	-	-
Share issuance expenses		-	(1,183,034)	-	(1,183,034)
Net cash flows from/(used in) financing activities		8,491,021	53,277,247	(350,543)	27,606,508
Net (decrease)/increase in cash and cash equivalents, carried forward		(34,701,308)	(2,775,181)	(12,451,726)	12,615,537
Cash and cash equivalents at the beginning of the financial year		10,898,136	13,673,317	12,615,539	2
Effects of foreign exchange rate changes		(81,380)	-	-	-
Cash and cash equivalents at the end of the financial year	12	(23,884,552)	10,898,136	163,813	12,615,539

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

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

The ultimate holding company and immediate holding company of the Company during the financial year are Kim Teck Cheong Capital Sdn. Bhd. and Kim Teck Cheong Holdings Sdn. Bhd. respectively, both of which are private limited companies incorporated in Malaysia.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 20 October 2017.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Adoption of Amendments/improvements to MFRSs

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

Amendments/Improvements to MFRSs	
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations
MFRS 7	Financial Instruments: Disclosures
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interest in Other Entities
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
MFRS 138	Intangible Assets
MFRS 141	Agriculture

2. BASIS OF PREPARATION *cont'd*

2.2 Adoption of Amendments/improvements to MFRSs *cont'd*

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

Amendments to MFRS 7 Financial Instruments: Disclosures

Amendments to MFRS 7 provide additional guidance to clarify whether servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements of MFRS 7.

The Amendments also clarify the applicability of Disclosure – Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7) to condensed interim financial statements.

Amendments to MFRS 101 Presentation of Financial Statements

Amendments to MFRS 101 improve the effectiveness of disclosures. The Amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

Amendments to MFRS 116 Property, Plant and Equipment

Amendments to MFRS 116 prohibit revenue-based depreciation because revenue does not reflect the way in which an item of property, plant and equipment is used or consumed.

Amendments to MFRS 127 Separate Financial Statements

Amendments to MFRS 127 allow a parent and investors to use the equity method in its separate financial statements to account for investments in subsidiaries, joint ventures and associates, in addition to the existing options.

Amendments to MFRS 138 Intangible Assets

Amendments to MFRS 138 introduce a rebuttable presumption that the revenue-based amortisation method is inappropriate. This presumption can be overcome only in the following limited circumstances:

- when the intangible asset is expressed as a measure of revenue, i.e. in the circumstance in which the predominant limiting factor that is inherent in an intangible asset is the achievement of a revenue threshold; or
- when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosures of Interests in Other Entities and MFRS 128 Investments in Associates and Joint Ventures

These Amendments address the following issues that have arisen in the application of the consolidation exception for investment entities:

- Exemption from presenting consolidated financial statements: the Amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.
- Consolidation of intermediate investment entities: the Amendments clarify that only a subsidiary is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. BASIS OF PREPARATION *cont'd*

2.2 Adoption of Amendments/improvements to MFRSs *cont'd*

Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosures of Interests in Other Entities and MFRS 128 Investments in Associates and Joint Ventures *cont'd*

These Amendments address the following issues that have arisen in the application of the consolidation exception for investment entities *cont'd*

- Policy choice for equity accounting for investments in associates and joint ventures: the Amendments allow a non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interest in subsidiaries, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associate or joint venture.

Amendments to MFRS 116 Property, Plant and Equipment and Amendments to MFRS 141 Agriculture

With the Amendments, bearer plants would come under the scope of MFRS 116 and would be accounted for in the same way as property, plant and equipment. A bearer plant is defined as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Nevertheless, the produce growing on the bearer plant would remain within the scope of MFRS 141. This is because the growth of the produce directly increases the expected revenue from the sale of the produce. Moreover, fair value measurement of the growing produce provides useful information to users of financial statements about future cash flows that an entity will actually realise as the produce will ultimately be detached from the bearer plants and sold separately.

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

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

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments/Improvements to MFRSs		
MFRS 2	Share-based Payment	1 January 2018
MFRS 4	Insurance Contracts	1 January 2018
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 12	Disclosure of Interests in Other Entities	1 January 2017
MFRS 107	Statement of Cash Flows	1 January 2017
MFRS 112	Income Taxes	1 January 2017
MFRS 128	Investments in Associates and Joint Ventures	1 January 2018/Deferred
MFRS 140	Investment Property	1 January 2018
New IC Int		
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019

2. BASIS OF PREPARATION *cont'd*

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

A brief discussion on the above significant new MFRSs, Amendments/improvements to MFRSs and new IC Int are summarised below. Due to the complexity of these new MFRSs, Amendments/improvements to MFRSs and new IC Int, the financial effects of their adoption are currently still being assessed by the Group and the Company.

MFRS 9 Financial Instruments

Key requirements of MFRS 9:

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

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

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

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

MFRS 15 Revenue from Contracts with Customers

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

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. BASIS OF PREPARATION *cont'd*

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

MFRS 15 Revenue from Contracts with Customers *cont'd*

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

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

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

MFRS 16 Leases

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

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

Amendments to MFRS 4 Insurance Contracts

Amendments to MFRS 4 introduce two additional voluntary options, namely an overlay approach and a deferral approach to be applied subject to certain criteria being met, which help to address temporary volatility in reported results of entities dealing with insurance contracts. The overlay approach involves option to recognise the possible volatility in other comprehensive income, instead of profit or loss, whilst the deferral approach provides temporary exemption from applying the Standard on Financial Instruments for entities whose activities are predominantly connected with insurance.

Amendments to MFRS 107 Statement of Cash Flows

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

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that decreases in value of debt instrument measured at fair value for which the tax base remains at its original cost give rise to a deductible temporary difference. The estimate of probable future taxable profits may include recovery of some of an entity's assets for more that their carrying amounts if sufficient evidence exists that it is probable the entity will achieve this.

The Amendments also clarify that deductible temporary differences should be compared with the entity's future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences when an entity evaluates whether it has sufficient future taxable profits. In addition, when an entity assesses whether taxable profits will be available, it should consider tax law restrictions with regards to the utilisation of the deduction.

2. BASIS OF PREPARATION *cont'd*

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

IC Int 22 Foreign Currency Transactions and Advance Consideration

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

IC Int 23 Uncertainty over Income Tax Treatments

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

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

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

2.4 Functional and presentation currency

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

2.5 Basis of measurement

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

2.6 Use of estimates and judgement

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

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

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

(a) Reorganisation

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

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

(b) Subsidiaries and business combination

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

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

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

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

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

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

3.1 Basis of consolidation *cont'd*

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

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

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

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

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

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

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

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

(c) Non-controlling interests

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

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

(d) Transactions eliminated on consolidation

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

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

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

3.2 Separate financial statements

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

3.3 Foreign currency transactions and operations

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

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

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

(a) Translation of foreign currency transactions

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

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

(b) Translation of foreign operations

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

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

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

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

3.4 Financial instruments

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

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

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

(a) Subsequent measurement

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

(i) Financial assets

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

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

(ii) Financial liabilities

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

(b) Financial guarantee contracts

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

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

(c) Regular way purchase or sale of financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

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

3.4 Financial instruments *cont'd*

(c) Regular way purchase or sale of financial assets *cont'd*

(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and

(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(d) Derecognition

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

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

(e) Offsetting of financial instruments

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

3.5 Property, plant and equipment

(a) Recognition and measurement

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

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.14.

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

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

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

3.5 Property, plant and equipment *cont'd*

(a) Recognition and measurement *cont'd*

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

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

(b) Subsequent costs

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

(c) Depreciation

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

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

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

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

(d) Derecognition

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

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

3.6 Leases

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

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

(a) Lessee accounting

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

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

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

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

(b) Lessor accounting

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

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

3.7 Goodwill and other intangible assets

(a) Goodwill

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initially recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b).

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

3.7 Goodwill and other intangible assets *cont'd*

(b) Other intangible assets

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

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

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

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

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

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

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

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

3.8 Inventories

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

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

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

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

3.9 Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

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

3.10 Impairment of assets

(a) Impairment and uncollectibility of financial assets

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

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

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

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

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

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

(b) Impairment of non-financial assets

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

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

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

3.10 Impairment of assets *cont'd*

(b) Impairment of non-financial assets *cont'd*

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

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

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

3.11 Share capital

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

Prior to Companies Act 2016 which came into effect on 31 January 2017, incremental external costs directly attributable to the issuance of new shares are deducted against the share premium account. Effective on 31 January 2017 and subsequent period, incremental external costs directly attributable to the issuance of new shares are deducted against equity. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.12 Revenue and other income

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

(a) Sale of goods

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

(b) Rendering of services

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

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

3.12 Revenue and other income *cont'd*

(c) Interest income

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

(d) Rental income

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

(e) Income distribution from short-term fund

Income from investment in short-term is recognised when the right to receive payment is established.

3.13 Employee benefits

(a) Short-term employee benefits

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

(b) Defined contribution plans

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

3.14 Borrowing costs

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

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

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

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

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

3.15 Taxes

(a) Income Tax

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

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

3.15 Taxes *cont'd*

(a) Income Tax *cont'd*

(i) Current tax

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

(ii) Deferred tax

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

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

3.15 Taxes *cont'd*

(b) Goods and services tax

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

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of GST included.

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

3.16 Operating segments

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

3.17 Fair value measurement

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

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

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

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

3.18 Contingencies

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

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

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

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

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

3.19 Earnings per share

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

(a) Depreciation and useful lives of property, plant and equipment

As disclosed in Note 3.5, the Group reviews the residual values, depreciation rates and depreciation methods at the end of each reporting period. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and therefore, future depreciation charges could be revised.

The carrying amount of the Group's property, plant and equipment are disclosed in Note 5.

(b) Impairment of goodwill

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *cont'd*

(c) Impairment of financial assets

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

The carrying amounts of the Group's and the Company's financial assets are disclosed in Note 27(a) to the financial statements.

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

Reviews are made periodically by the Group, if any, 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.

(e) Impairment of non-financial assets

The Group and the Company assess impairment of non-financial assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may be recoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost of disposal for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate. Projected future cash flows are based on the Group's and the Company's estimates, taking into consideration factors such as historical and industry trends, general market and economic conditions and other available information. 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.

(f) Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unabsorbed capital allowances based on the projected future profits of the Company to the extent that is probable that taxable profit will be available against which the temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the future performance of the subsidiaries. The carrying amount of the Group's recognised deferred tax assets is disclosed in Note 9.

5. 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
2017									
Cost/Valuation									
At 1 July 2016									
At cost	19,440,611	12,442,094	3,565,264	5,783,666	3,087,234	1,324,079	1,860,152	323,213	47,826,313
At valuation	14,769,010	5,020,992	-	-	-	-	-	-	19,790,002
	34,209,621	17,463,086	3,565,264	5,783,666	3,087,234	1,324,079	1,860,152	323,213	67,616,315
Acquisition of subsidiaries (Note 6)	4,314,931	4,101,155	115,685	142,392	-	-	11,637	-	8,685,800
Additions	-	-	1,529,272	1,681,500	273,656	616,795	746,624	2,897,003	7,744,850
Disposals	-	-	(12,704)	(55,000)	-	-	-	-	(67,704)
Written off	-	-	(2,059)	-	-	-	-	-	(2,059)
Exchange differences	-	-	(2,045)	(2,208)	-	-	(180)	-	(4,433)
At 30 June 2017	38,524,552	21,564,241	5,193,413	7,550,350	3,360,890	1,940,874	2,618,233	3,220,216	83,972,769

NOTES TO THE FINANCIAL STATEMENTS
cont'd

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

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
2017									
Accumulated depreciation									
At 1 July 2016	977,063	411,510	2,428,362	2,191,050	310,599	496,920	498,959	-	7,314,463
Charge for the financial year	808,809	382,169	370,676	1,205,275	374,356	180,696	220,253	-	3,542,234
Disposals	-	-	(12,704)	(54,999)	-	-	-	-	(67,703)
Written off	-	-	(1,853)	-	-	-	-	-	(1,853)
Exchange differences	-	-	(79)	(123)	-	-	(11)	-	(213)
At 30 June 2017	1,785,872	793,679	2,784,402	3,341,203	684,955	677,616	719,201	-	10,786,928
Carrying amount									
At cost	22,661,222	16,044,535	2,409,011	4,209,147	2,675,935	1,263,258	1,899,032	3,220,216	54,382,356
At valuation	14,077,458	4,726,027	-	-	-	-	-	-	18,803,485
At 30 June 2017	36,738,680	20,770,562	2,409,011	4,209,147	2,675,935	1,263,258	1,899,032	3,220,216	73,185,841

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

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
2016									
Cost/Valuation									
At 1 July 2015									
At cost	-	-	2,462,147	3,662,122	-	819,776	809,784	-	7,753,829
At valuation	14,769,010	5,020,992	-	-	-	-	-	-	19,790,002
	14,769,010	5,020,992	2,462,147	3,662,122	-	819,776	809,784	-	27,543,831
Acquisition of subsidiaries (Note 6)	11,484,102	9,369,603	706,458	1,717,402	2,231,204	372,603	844,966	-	26,726,338
Additions	-	-	403,256	765,308	856,030	131,700	205,402	323,213	2,684,909
Disposals	-	-	(4,129)	(361,166)	-	-	-	-	(365,295)
Written off	-	-	(2,468)	-	-	-	-	-	(2,468)
Transferred from investment property (Note 19)	7,956,509	3,072,491	-	-	-	-	-	-	11,029,000
At 30 June 2016	34,209,621	17,463,086	3,565,264	5,783,666	3,087,234	1,324,079	1,860,152	323,213	67,616,315

NOTES TO THE FINANCIAL STATEMENTS
cont'd

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

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
2016									
Accumulated depreciation									
At 1 July 2015	172,888	73,642	2,183,351	1,519,952	-	355,469	318,281	-	4,623,583
Charge for the financial year	804,175	337,868	248,670	934,080	310,599	141,451	180,678	-	2,957,521
Disposals	-	-	(1,194)	(262,982)	-	-	-	-	(264,176)
Written off	-	-	(2,465)	-	-	-	-	-	(2,465)
At 30 June 2016	977,063	411,510	2,428,362	2,191,050	310,599	496,920	498,959	-	7,314,463
Carrying amount									
At cost	18,896,168	12,214,688	1,136,902	3,592,616	2,776,635	827,159	1,361,193	323,213	41,128,574
At valuation	14,336,390	4,836,888	-	-	-	-	-	-	19,173,278
At 30 June 2016	33,232,558	17,051,576	1,136,902	3,592,616	2,776,635	827,159	1,361,193	323,213	60,301,852

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

Company	Office equipment and computers RM
2017	
Cost	
At 1 July 2016	62,010
Additions	56,983
At 30 June 2017	118,993
Accumulated depreciation	
At 1 July 2016	6,201
Charge for the financial year	18,076
At 30 June 2017	24,277
Net Carrying Amount	
At 30 June 2017	94,716

Company	Computers RM
2016	
Cost	
At 1 July 2015	-
Additions	62,010
At 30 June 2016	62,010
Accumulated depreciation	
At 1 July 2015	-
Charge for the financial year	6,201
At 30 June 2016	6,201
Net Carrying Amount	
At 30 June 2016	55,809

(a) Leasehold land of the Group consisting of land with unexpired lease period of more than 50 years.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

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

(b) During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM7,744,850 (2016: RM2,684,909) and RM56,983 (2016: 62,010) respectively, which are satisfied by the following:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Financed by finance lease arrangements	2,480,433	678,955	-	-
Cash payments	5,264,417	2,005,954	56,983	62,010
	7,744,850	2,684,909	56,983	62,010

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

	Group	
	2017	**2016**
	RM	**RM**
Plant and machineries	1,909,194	-
Store equipment	831,991	-
Motor vehicles	3,706,661	2,859,325
	6,447,846	2,859,325

(d) Certain leasehold land and buildings of the Group with a carrying amount of RM35,754,877 (2016: RM28,110,628) has been pledged to licensed banks to secure credit facilities granted to the subsidiaries.

During the financial year, the pledge over the leasehold land and buildings of a subsidiary with a carrying amount of RM3,091,538 (2016: RM3,140,657) has been uplifted and in the process of being discharged as disclosed in Note 17(a) to the financial statements.

(e) Fair value of revalued properties is categorised in level 3 of fair value hierarchy.

Level 3 fair value

Sales comparison approach

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

Depreciated replacement cost approach

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

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

(e) Fair value of revalued properties is categorised in level 3 of fair value hierarchy. *cont'd*

The following table shows the valuation techniques used in the determination of fair values within level 3, as well as the significant unobservable inputs used in the valuation models:

Description	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Leasehold land and buildings	Sales comparison approach	<u>Leasehold land</u> Price per square metre ("sqm") in a range of RM1,899 to RM1,992	The higher the price per sqm, the higher the fair value.
		<u>Buildings</u> Price per sqm in a range of RM1,154 to RM1,362	
Leasehold land and buildings	Depreciated replacement cost approach	<u>Leasehold land</u> Cost per sqm in a range of RM1,899 to RM1,992	The higher the price/cost per sqm, the higher the fair value.
		<u>Buildings</u> Cost per sqm in a range of RM1,650 to RM1,800	The lower the depreciation rate, the higher the fair value.
		Allowance for age and depreciation in a range of 15% to 30%	

Valuation processes applied by the Company

The Company's finance department performs valuation analysis of leasehold land and buildings required for financial reporting purposes, including level 3 fair values. This team reports directly to the directors of the Group.

The fair value of leasehold land and buildings are determined by an accredited independent valuer who has valuation experience for similar properties. The team assesses at the end of each reporting period whether there is an indication that the net carrying amounts of the leasehold land and buildings may be impaired. The Company will revalue the leasehold land and buildings every five years or when there is indication that the fair value of the leasehold land and buildings differ materially from their carrying amounts.

Highest and best use

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

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

(f) Had the revalued assets been carried at historical cost less accumulated depreciation, the net carrying amount would have been as follows:

Group	Cost RM	Accumulated depreciation RM	Net carrying amount RM
2017			
Leasehold land	6,313,805	(1,472,002)	4,841,803
Buildings	2,244,177	(561,148)	1,683,029
Net carrying amount	8,557,982	(2,033,150)	6,524,832
2016			
Leasehold land	6,313,805	(1,366,772)	4,947,033
Buildings	2,244,177	(511,776)	1,732,401
Net carrying amount	8,557,982	(1,878,548)	6,679,434

6. INVESTMENT IN SUBSIDIARIES

	Company 2017 RM	Company 2016 RM
At cost		
Unquoted shares		
At beginning of the financial year	84,875,739	-
Add: Additions during the financial year		
- by issuance of ordinary shares share and RCPS	-	79,243,405
- by cash payments	4,435,562	5,632,334
At end of the financial year	89,311,301	84,875,739

NOTES TO THE FINANCIAL STATEMENTS
cont'd

6. INVESTMENT IN SUBSIDIARIES *cont'd*

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Principal activities	Ownership interest 2017	Ownership interest 2016
Kim Teck Cheong Sdn. Bhd. ("KTCSB")	Malaysia	Distribution of consumer packaged goods	100%	100%
Kim Teck Cheong Brands Sdn. Bhd. ("KTCBSB")	Malaysia	Brand owner and procurement	100%	100%
Kim Teck Cheong Distribution Sdn. Bhd. ("KTCDSB")	Malaysia	Distribution of consumer packaged goods	100%	100%
Kim Teck Cheong (Sarawak) Sdn. Bhd. ("KTCSSB")	Malaysia	Distribution of consumer packaged goods	80%	80%
Kim Teck Cheong (Tawau) Sdn. Bhd. ("KTCTSB")	Malaysia	Distribution of consumer packaged goods	100%	100%
Kim Teck Cheong (Borneo) Sdn. Bhd. ("KTCBOSB")	Malaysia	Distribution of consumer packaged goods	100%	100%
Creamos (Malaysia) Sdn. Bhd. ("Creamos")	Malaysia	Manufacture of bakery products	100%	100%
Popular Trading (Borneo) Sdn. Bhd. Corporation ("PTBSB")	Malaysia	Trading, general agents and distributors	100%	100%
Kim Teck Cheong TransPacific Sdn. Bhd. (formerly known as Trans Paint Sdn. Bhd.) ("TPSB")	Malaysia	Warehousing	100%	-
Grandtop Marketing Sdn. Bhd. ("GMSB") *^	Brunei	Distribution of consumer packaged goods	60%	-

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

^ The auditors' reports on the financial statements of this subsidiary contained a qualification:

"we were unable to verify the opening balances of the inventories of B$ 1,111,190, over which there were no physical stock count as at 30 June 2016 being caried out. The evidence available to us was limited, we were unable to obtain sufficient qppropriate audit evidence in regard to the opening balance of these inventories. Due to the nature of the company's record, we were unable to satisfy ourselves by alternative means in relation to the opening balances of inventories as well as the comparativees disclosed in the statements of financial performance, cash flows and the statement of financial position."

NOTES TO THE FINANCIAL STATEMENTS
cont'd

6. INVESTMENT IN SUBSIDIARIES *cont'd*

(a) Acquisition of TPSB

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

(b) Acquisition of GMSB

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

(i) conditional share purchase agreement to acquire a total of 80,000 ordinary shares of B$1.00 each in GMSB for a total cash consideration of B$80,000.00 (equivalent to approximately RM238,464.00), and

(ii) conditional share subscription agreement to subscribe for 520,000 new ordinary shares of B$1.00 each in GMSB for a total cash consideration of B$520,000.00 (equivalent to approximately RM1,550,016.00).

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

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

	Note	TPSB RM	GMSB RM	Total RM
2017				
Assets				
Property, plant and equipment	5	8,416,086	269,714	8,685,800
Inventories		-	4,731,711	4,731,711
Trade and other receivables		60,826	6,748,541	6,809,367
Tax assets		-	-	-
Cash and bank balances		-	303,334	303,334
Total assets		8,476,912	12,053,300	20,530,212

6. INVESTMENT IN SUBSIDIARIES *cont'd*

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

	Note	TPSB RM	GMSB RM	Total RM
Liabilities				
Loans and borrowings		(3,705,589)	(308,754)	(4,014,343)
Trade and other payables		(1,752)	(6,936,705)	(6,938,457)
Deferred tax liabilities	9	(836,663)	-	(836,663)
Current tax liabilities		(29,951)	(297,688)	(327,639)
Total liabilities		(4,573,955)	(7,543,147)	(12,117,102)
Total identifiable net assets acquired		3,902,957	4,510,153	8,413,110
Gain on bargain purchase arising from acquisition of subsidiaries		(1,367,475)	(806,012)	(2,173,487)
Non-controlling interests		-	(1,804,061)	(1,804,061)
Fair value of consideration transferred		2,535,482	1,900,080	4,435,562

The initial accounting for TPSB and GMSB's business combination in the consolidated financial statements of the Company involves identifying and determining the fair values to be assigned to TPSB and GMSB's identifiable assets, liabilities and contingent liabilities and the cost of the combination. As at 30 June 2017, the fair value of TPSB and GMSB's identifiable assets, liabilities and contingent liabilities can only be determined provisionally pending the completion of purchase price allocation ("PPA") on TPSB and GMSB's identifiable assets, liabilities and contingent liabilities. TPSB and GMSB's business combination has been accounted for using these provisional values. The Group shall recognise any adjustments to these provisional values upon completion of the PPA exercise within 12 months from the acquisition date.

(d) Effects of acquisition on cash flows:

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

6. INVESTMENT IN SUBSIDIARIES *cont'd*

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

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

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

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

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

(f) Acquisition of KTCSB

On 3 December 2014, the Company had entered into a conditional sale and purchase agreement to acquire the entire equity interests in KTCSB of RM600,000 comprising 600,000 ordinary shares of RM1.00 each for a total purchase consideration of RM47,898,748 which was satisfied by the issuance of 222,605,350 ordinary shares of RM0.10 each and 14,507,945 redeemable convertible preference shares ("RCPS") of RM1. The said acquisition was completed on 1 July 2015 and KTCSB became a wholly-owned subsidiary of the Company.

The acquisition of the entire issued and paid-up share capital of KTCSB by the Company is a reorganisation and does not result in any change in economic substance. Accordingly, the consolidated financial statements of the Company are a continuation of KTCSB and is accounted for as follows:

(a) The results of entities are presented as if the reorganisation occurred from the beginning of the earliest period presented in the financial statements;

(b) The Company consolidated the assets and liabilities of the KTCSB at their pre-combination carrying amounts. No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the combination that would otherwise be done under the acquisition method; and

(c) No new goodwill is recognised as a result of the reorganisation. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity as reorganisation reserve or deficit.

6. INVESTMENT IN SUBSIDIARIES *cont'd*

(g) Acquisition of Creamos, KTCBSB, KTCBOSB, KTCDSB, KTCSSB and KTCTSB

Meanwhile, the Company had also entered into a conditional sale and purchase agreement dated 3 December 2014 to acquire the equity interests in the following companies and the acquisitions were completed on 1 July 2015:

Company	Number of ordinary shares of RM1.00 each acquired	Purchase consideration	Ordinary shares issued @ RM0.15 per share	RCPS issued @ RM1.00 per RCPS
		RM		
Creamos	500,000	77,431	359,850	23,453
KTCBSB	2	182,157	846,560	55,173
KTCBOSB	1,000,000	5,264,793	24,467,680	1,594,641
KTCDSB	1,000,000	7,552,718	35,100,610	2,287,626
KTCSSB	40,000	3,958,552	18,397,030	1,198,997
KTCTSB	500,000	14,309,008	66,499,900	4,334,023
Total		31,344,659	145,671,630	9,493,913

6. INVESTMENT IN SUBSIDIARIES *cont'd*

(g) Acquisition of Creamos, KTCBSB, KTCBOSB, KTCDSB, KTCSSB and KTCTSB *cont'd*

Fair value of the identifiable assets acquired and liabilities assumed recognised at the date of acquisition are as follows:

2016	Note	Creamos RM	KTCBSB RM	KTCBOSB RM	KTCDSB RM	KTCSSB RM	KTCTSB RM	Total RM
Assets								
Property, plant and equipment	5	10,993,937	-	368,906	7,779,010	697,555	6,435,653	26,275,061
Inventories		448,631	-	8,529,014	11,840,869	5,547,596	5,095,507	31,461,617
Intangible asset		-	-	315,856	-	-		
Trade and other receivables		1,759,829	2,673,640	15,076,590	20,807,700	3,630,823	9,743,635	53,692,217
Tax assets		-	32,808	150,634	-	168,034	-	351,476
Cash and bank balances		357,044	2,011	21,974	11,796,789	685,301	668,925	13,532,044
Total assets		13,559,441	2,708,459	24,462,974	52,224,368	10,729,309	21,943,720	125,312,415
Liabilities								
Loans and borrowings		(6,001,437)	-	(14,354,346)	(16,179,727)	(856,874)	(5,906,501)	(43,298,885)
Trade and other payables		(5,418,673)	(2,504,215)	(5,658,055)	(26,607,800)	(5,877,018)	(4,077,107)	(50,142,868)
Deferred tax liabilities	9	(383,890)	-	(123,074)	(1,083,552)	(56,215)	(863,519)	(2,510,250)
Current tax liabilities		(210,000)	-	-	(465,810)	-	(14,304)	(690,114)
Total liabilities		(12,014,000)	(2,504,215)	(20,135,475)	(44,336,889)	(6,790,107)	(10,861,431)	(96,642,117)

6. INVESTMENT IN SUBSIDIARIES *cont'd*

(g) Acquisition of Creamos, KTCBSB, KTCBOSB, KTCDSB, KTCSSB and KTCTSB *cont'd*

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

	Creamos RM	KTCBSB RM	KTCBOSB RM	KTCDSB RM	KTCSSB RM	KTCTSB RM	Total RM
Total identifiable net assets acquired	1,545,441	204,244	4,327,499	7,887,479	3,939,202	11,082,289	28,986,154
Gain on bargain purchase arising from acquisition of subsidiaries	(1,468,010)	(22,087)	-	(334,761)	-	-	(1,824,858)
Goodwill arising on acquisition of subsidiaries	-	-	937,294	-	807,190	3,226,719	4,971,203
Non-controlling interests	-	-	-	-	(787,840)	-	(787,840)
Fair value of consideration transferred	77,431	182,157	5,264,793	7,552,718	3,958,552	14,309,008	31,344,659

Effects of acquisition on cash flows:

	Creamos RM	KTCBSB RM	KTCBOSB RM	KTCDSB RM	KTCSSB RM	KTCTSB RM	Total RM
Fair value of consideration transferred	77,431	182,157	5,264,793	7,552,718	3,958,552	14,309,008	31,344,659
Less:							
Cash and cash equivalents of subsidiaries acquired	(357,044)	(2,011)	2,598,372	(3,758,136)	(190,676)	595,576	(1,113,919)
Shares consideration	(77,431)	(182,157)	(5,264,793)	(7,552,718)	(3,958,552)	(14,309,008)	(31,344,659)
Net cash (inflows)/outflows on acquisition	(357,044)	(2,011)	2,598,372	(3,758,136)	(190,676)	595,576	(1,113,919)

6. INVESTMENT IN SUBSIDIARIES *cont'd*

(g) Acquisition of Creamos, KTCBSB, KTCBOSB, KTCDSB, KTCSSB and KTCTSB *cont'd*

Effects of acquisition on the consolidated statement of comprehensive income

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

	Creamos RM	KTCBSB RM	KTCBOSB RM	KTCDSB RM	KTCSSB RM	KTCTSB RM	Total RM
Revenue	6,966,548	7,628,098	53,090,906	94,891,138	22,384,650	32,706,353	217,667,693
(Loss)/Profit for the financial year	(188,041)	2,456	70,059	(1,325,592)	392,058	790,155	(258,905)

6. INVESTMENT IN SUBSIDIARIES *cont'd*

(h) Acquisition of PTBSB

On 29 January 2016, the Company had entered into a conditional sale and purchase agreement to acquire the entire equity interests in PTBSB of RM4,000,000 comprising RM4,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM5,632,334. The said acquisition was completed on 30 May 2016 and PTBSB became a wholly-owned subsidiary of the Company.

The Vendors warrant that the profit after tax for the financial year ending 31 December 2016 (provided the Company carries on the business in the usual course of business as carried on by the Vendors prior to signing of the Agreement) should be equal or no less than the PAT arrived at for the financial year 31 December 2015 ("Profit Guarantee") and as security to cover any eventual shortfall , the Vendors agree to retain half of the sum stated in the Agreement which shall be held in the trust account of the Vendors' solicitor with authorisation to pay such shortfall in the Profit Guarantee sum to the Company and the balance remaining to be disbursed to the Vendors ("Security Sum").

In the previous financial year, the initial accounting for PTBSB's business combination in the consolidated financial statements of the Company involves identifying and determining the fair values to be assigned to PTBSB's identifiable assets, liabilities and contingent liabilities and the cost of the combination. As at 30 June 2017, the fair value of PTBSB's identifiable assets, liabilities and contingent liabilities can only be determined provisionally pending the completion of purchase price allocation ("PPA") on PTBSB's identifiable assets, liabilities and contingent liabilities. PTBSB's business combination has been accounted for using these provisional values. The Group shall recognise any adjustments to these provisional values upon completion of the PPA exercise within 12 months from the acquisition date.

During the financial year, the purchase price allocation was completed and no adjustment to the goodwill was required.

Fair value of the identifiable assets acquired and liabilities assumed recognised at the date of acquisition are as follows:

	2016 RM
Assets	
Property, plant and equipment	451,277
Inventories	5,934,556
Trade and other receivables	9,222,150
Tax assets	137,016
Cash and bank balances	332,797
Total assets	16,077,796
Liabilities	
Loans and borrowings	(7,486,599)
Trade and other payables	(3,950,205)
Deferred tax liabilities (Note 9)	(18,839)
Total liabilities	(11,455,643)
Total identifiable net assets acquired	4,622,153
Goodwill arising from acquisition	1,010,181
Fair value of consideration transferred	5,632,334

NOTES TO THE FINANCIAL STATEMENTS
cont'd

6. INVESTMENT IN SUBSIDIARIES *cont'd*

(h) Acquisition of PTBSB *cont'd*

Effects of acquisition on cash flows:

	RM
Fair value of consideration transferred	5,632,334
Add: Cash and cash equivalents of a subsidiary acquired	2,095,804
Net cash outflows on acquisition	7,728,138

Effects of acquisition on consolidated statement of comprehensive income

From the date of acquisition, the subsidiary contributed revenue and profit net of tax are as follows:

	RM
Revenue	3,158,790
Profit for the financial year	334,033

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

	Group RM
Consolidated revenue	366,849,808
Consolidated profit for the financial year	1,616,870

(i) Non-controlling interests in subsidiaries

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

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

		Ownership interest	
Name of company	Country of incorporation	2017 %	2016 %
KTCSSB	Malaysia	80	80
GMSB	Malaysia	60	-

Carrying amount of material non-controlling interests:

Name of company	2017 RM	2016 RM
KTCSSB	742,526	866,252
GMSB	2,396,951	-

6. INVESTMENT IN SUBSIDIARIES *cont'd*

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

Profit or loss allocated to material non-controlling interests:

Name of company	2017 RM	2016 RM
KTCSSB	(123,726)	(78,412)
GMSB	592,888	-

The summarised financial information before intra-group elimination of the subsidiaries that have non-controlling interests that have material non-controlling interests are as follows:

	KTCSSB RM	GMSB RM
Summarised statements of financial position		
As at 30 June 2017		
Non-current assets	4,909,814	270,394
Current assets	42,360	10,809,316
Non-current liabilities	(3,462,957)	-
Current liabilities	(250,654)	(5,168,842)
Net assets	1,238,563	5,910,868
Summarised statements of comprehensive income		
Financial year ended 30 June 2017		
Revenue	174,000	6,708,830
(Loss)/Profit for the financial year	(14,957)	1,482,220
Total comprehensive (loss)/income	(14,957)	1,482,220
Summarised statements of comprehensive income		
Financial year ended 30 June 2017		
Net cash flows from/(used in) operating activities	81,522	(131,955)
Net cash flows from/(used in) investing activities	28,723	(46,363)
Net cash flows (used in)/from financing activities	(74,641)	520,000
Net increase in cash and cash equivalents	35,604	341,682
Dividends paid to non-controlling interests	-	-

NOTES TO THE FINANCIAL STATEMENTS
cont'd

7. GOODWILL

	Group	
	2017	2016
Cost	RM	RM
At beginning of financial year	5,981,384	-
Additions	-	5,981,384
At end of financial year	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	
	2017	2016
	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 management covering three financial years and no growth rate is projected from the fourth financial year onwards. The key assumptions used for value-in-use calculations are:

Group	Distribution operation
2017	
Key assumptions used in value-in-use calculations	
Sales growth rate	4% - 10%
Gross profit margin	12% - 15%
Discount rate	12.12% -13.78%

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

Gross margin – Gross margin is based on management's past experience

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

Sensitivity to change in assumptions

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

8. INTANGIBLE ASSET

	Group	
	2017	2016
	RM	RM
Cost		
At beginning of the financial year	315,856	-
Acquisition of subsidiaries (Note 6)	-	315,856
At end of the financial year	315,856	315,856
Accumulated amortisation		
At beginning of the financial year	(78,964)	-
Charge for the financial year	(78,964)	(78,964)
At end of the financial year	(157,928)	(78,964)
Carrying amount		
At end of the financial year	157,928	236,892

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

9. DEFERRED TAX

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Deferred tax assets/ (liabilities)				
At beginning of the financial year	(5,389,270)	(3,387,026)	267,887	-
Recognised in profit or loss (Note 23)	(7,761)	526,845	(140,752)	267,887
Acquisition of subsidiaries (Note 6)	(836,663)	(2,529,089)	-	-
At end of the financial year	(6,233,694)	(5,389,270)	127,135	267,887

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

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Deferred tax assets	127,135	267,887	127,135	267,887
Deferred tax liabilities	(6,360,829)	(5,657,157)	-	-
	(6,233,694)	(5,389,270)	127,135	267,887

NOTES TO THE FINANCIAL STATEMENTS
cont'd

9. DEFERRED TAX *cont'd*

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

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Deferred tax assets				
Unabsorbed capital allowances	216,437	361,826	13,676	266,399
Unutilised tax losses	519,683	303,382	136,191	14,882
	736,120	665,208	149,867	281,281
Deferred tax liabilities				
Revaluation of property, plant and equipment	(4,403,319)	(5,255,734)	-	-
Differences between the carrying amounts of property, plant and equipment and their tax bases	(2,566,495)	(798,744)	(22,732)	(13,394)
	(6,969,814)	(6,054,478)	(22,732)	(13,394)
	(6,233,694)	(5,389,270)	127,135	267,887

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

	Group	
	2017	2016
	RM	RM
Unutilised tax losses	37,592	-

10. INVENTORIES

	Group	
	2017	2016
	RM	RM
At cost		
Trading inventories	79,048,860	59,759,637
Raw materials	460,640	529,395
Packaging materials	134,992	124,728
	79,644,492	60,413,760

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Company was RM375,871,859 (2016: RM297,950,234).

In addition, the inventories written off recognised as other expenses during the financial year amounted to RM2,347,591 (2016: RM2,113,098).

11. TRADE AND OTHER RECEIVABLES

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Trade receivables				
External parties	83,935,941	74,325,172	-	-
Amounts due from subsidiaries	-	-	1,230,485	608,574
	83,935,941	74,325,172	1,230,485	608,574
Less: Allowance for impairment loss	384,675	49,091	-	-
	84,320,616	74,374,263	1,230,485	608,574
Other receivables				
Amounts due from subsidiaries	-	-	10,718,426	5,235,716
Other receivables	25,948,901	16,230,902	596,816	-
GST refundable	1,875,105	852,217	24,076	-
Deposits	1,168,843	1,039,864	2,000	52,000
Prepayments	1,549,506	1,456,787	58,654	361,757
	30,542,355	19,579,770	11,399,972	5,649,473
Less: Allowance for impairment loss	21,672	-	-	-
	30,564,027	19,579,770	11,399,972	5,649,473
Total trade and other receivables	114,884,643	93,954,033	12,630,457	6,258,047

(a) Trade receivables

The Company's normal trade credit terms ranges from 30 to 90 (2016: 30 to 90) days from date of statement for the month invoice was issued. Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values at the initial recognition.

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

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Neither past due nor impaired	75,516,875	61,751,016	826,596	471,943
Past due but not impaired				
1 to 30 days past due not impaired	3,871,111	6,970,214	-	-
31 to 60 days past due not impaired	651,339	1,641,890	218,859	136,631
61 to 90 days past due not impaired	874,621	509,829	70,635	-
More than 90 days past due not impaired	3,021,995	3,452,223	114,395	-
	8,419,066	12,574,156	403,889	136,631
Impaired	384,675	49,091	-	-
	84,320,616	74,374,263	1,230,485	608,574

NOTES TO THE FINANCIAL STATEMENTS
cont'd

11. TRADE AND OTHER RECEIVABLES *cont'd*

(a) Trade receivables *cont'd*

Receivables that are neither past due nor impaired

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

Receivables that are impaired

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

		Group	
		2017	2016
	Note	RM	RM
At beginning of the financial year		49,091	-
Charge for the financial year			
- Individual impairment loss	21	384,675	49,091
Written off		(49,091)	-
At end of the financial year		384,675	49,091

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

(b) Non-trade amounts due from subsidiaries

The non-trade amounts due from subsidiaries are non-trade in nature, unsecured, interest-free, receivable upon demand and are expected to be settled in cash.

(c) Other receivables

Included in other receivables are amounts of RM19,835,319 (2016: RM13,855,889), being incentives and claims receivable from trade suppliers in relation to trade-related activities.

12. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Cash and bank balances	2,776,931	21,661,282	163,813	12,615,539
Cash deposits placed with licensed banks	-	337,605	-	-
Cash and cash equivalents as reported in the statements of financial position	2,776,931	21,998,887	163,813	12,615,539
Less: Bank overdrafts	(26,661,483)	(11,100,751)	-	-
Cash and cash equivalents as reported in the statements of cash flows	(23,884,552)	10,898,136	163,813	12,615,539

In the previous financial year, the cash deposits placed with licensed banks were placements with period less than 3 months and bore effective interest at rates of 3.15% per annum and matured within 3 months.

13. SHARE CAPITAL

	Group/Company			
	Number of shares		Amount	
	2017	2016	2017	2016
	UNIT	UNIT	RM	RM
Issued and fully paid				
Ordinary shares				
At beginning of the financial year	510,277,000	20	51,027,700	2
Issued during the financial year				
- acquisition of subsidiaries	-	368,276,980	-	36,827,698
- public issue	-	142,000,000	-	14,200,000
Adjustment for effect of CA 2016	24,330,815	-	24,330,815	-
At end of the financial year	534,607,815	510,277,000	75,358,515	51,027,700
Redeemable preference shares				
At beginning of the financial year	24,001,858	-	24,001,858	-
Issued during the financial year				
- acquisition of subsidiaries	-	24,001,858	-	24,001,858
At end of the financial year	558,609,673	534,278,858	99,360,373	75,029,558

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

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

In the previous financial year, the Company:

(i) increased its authorised share capital from RM400,000 to RM100,000,000 by creation of additional 746,000,000 ordinary shares of RM0.10 each and 25,000,000 redeemable convertible preference shares of RM1 each; and

(ii) increased its issued and paid-up share capital from RM2 to RM75,029,558 by the allotment of:

- 368,276,980 new ordinary shares of RM0.10 each and 24,001,858 convertible preference share of RM1 each for the acquisition of subsidiaries as disclosed in Note 6 to the financial statements; and

- 142,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.15 per ordinary share pursuant to the initial public offering in conjunction with the listing and quotation of the Company on the ACE Market of Bursa Malaysia Securities Berhad.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

13. SHARE CAPITAL *cont'd*

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

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

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

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

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

14. SHARE PREMIUM

		Group/Company	
		2017	**2016**
	Note	**RM**	**RM**
At beginning of the financial year		24,330,815	24,330,815
Adjustment for effect of CA 2016	13	(24,330,815)	-
At end of the financial year		-	24,330,815

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares in the previous financial years.

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

15. OTHER RESERVE

(a) Revaluation reserve

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

(b) Foreign exchange reserve

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

16. REORGANISATION DEFICIT

	Group	
	2017	**2016**
	RM	**RM**
Reorganisation deficit		
At beginning of the financial year	(47,962,248)	(63,500)
Effect of acquisition of KTCSB	-	(47,898,748)
At end of the financial year (Notes (a) and (b))	(47,962,248)	(47,962,248)

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

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

17. LOANS AND BORROWINGS

	Group	
	2017	2016
	RM	RM
Non-current		
Secured:		
Term loans - floating rate	15,234,946	11,194,349
Term loan - fixed rate	-	243,199
Finance lease liabilities (Note 17(h))	4,309,540	3,266,340
	19,544,486	14,703,888
Current		
Secured:		
Term loans - floating rate	1,004,957	569,906
Term loan - fixed rate	243,199	285,807
Finance lease liabilities (Note 17(h))	1,832,755	1,095,261
Unsecured:		
Bankers' acceptances	83,663,437	79,117,326
Bank overdrafts	26,661,483	11,100,751
Trust receipts	2,184,953	-
Revolving credit	18,000,000	10,000,000
	133,590,784	102,169,051
Total loans and borrowings		
Bankers' acceptances	83,663,437	79,117,326
Bank overdrafts	26,661,483	11,100,751
Term loans - floating rate	16,239,903	11,764,255
Term loan - fixed rate	243,199	529,006
Trust receipts	2,184,953	-
Finance lease liabilities (Note 17(h))	6,142,295	4,361,601
Revolving credit	18,000,000	10,000,000
	153,135,270	116,872,939

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

(i) Facilities agreement together with interest thereon and all monies due and payable; and
(ii) Legal charge over certain property, plant and equipment and investment property of the Group as disclosed in Note 5;

During the financial year, the third party legal charge over landed properties held by a subsidiary with a carrying amount of RM3,091,538 (2016: RM3,140,657) has been uplifted and in the process of being discharged as disclosed in Note 5.

(b) The floating rate term loans of the Group bear interest at rates ranging from 4.50% to 7.35% (2016: 4.45% to 7.35%) per annum and is repayable on terms ranging from 36 to 240 (2016: 36 to 240) equal monthly instalments.

17. LOANS AND BORROWINGS *cont'd*

(c) The fixed rate term loan of the Group bears interest at a rate of 5.30% (2016: 5.30%) per annum and is repayable in 209 (2016: 209) fortnightly instalments.

(d) The bankers' acceptances bear interest at rates ranging from 3.02% to 6.73% (2016: 2.26% to 6.82%) per annum.

(e) The bank overdrafts bear interest at rates ranging from 5.75% to 8.45% (2016: 7.15% to 8.45%) per annum.

(f) The revolving credits bear interest at rate of 4.51% (2016: 4.56%) per annum.

(g) The trust receipts bear interest at rate of 6.00% per annum.

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

	Group	
	2017	**2016**
	RM	**RM**
Minimum lease payments		
Not later than 1 year	2,165,255	1,329,512
Later than 1 year and not later than 5 years	4,590,025	3,393,543
Later than 5 years	164,687	218,355
	6,919,967	4,941,410
Less: Future finance charges	(777,672)	(579,809)
Present value of minimum lease payments	6,142,295	4,361,601
Present value of minimum lease payments		
Not later than 1 year	1,832,755	1,095,261
Later than 1 year and not later than 5 years	4,178,738	3,054,386
Later than 5 years	130,802	211,954
	6,142,295	4,361,601
Less: Amount due within 12 months	(1,832,755)	(1,095,261)
Amount due after 12 months	4,309,540	3,266,340

The finance lease liabilities bear interest at rates ranging from 2.85% to 6.45% (2016: 2.85% to 6.45%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Trade payables				
Third parties	17,319,160	25,300,810	-	-
Other payables				
Other payables	5,579,992	3,382,123	901,402	517,148
Accruals	429,775	421,785	32,309	18,000
GST payable	120,354	285,725	72,162	46,161
Deposits	2,155,163	1,817,993	-	-
Amounts due to directors	22,834	-	-	-
Amounts due to subsidiaries	-	-	7,138,999	7,489,542
	8,308,118	5,907,626	8,144,872	8,070,851
Total trade and other payables	25,627,278	31,208,436	8,144,872	8,070,851

(a) Trade payables are non-interest bearing and the normal credit terms granted to the Group ranging from 30 to 90 (2016: 30 to 90) days.

(b) The non-trade amounts due to subsidiaries were unsecured, interest-free, payable upon demand and are expected to be settled in cash.

(c) Included in the deposits of the Group are trade security deposits from customers amounting to RM2,036,463 (2016: RM1,802,893).

19. INVESTMENT PROPERTIES

	Group	
	2017	2016
	RM	RM
At fair value		
At the beginning of the financial year	-	11,029,000
Transferred to property, plant and equipment (Note 5)	-	(11,029,000)
At the end of the financial year	-	-

20. REVENUE

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Sales of goods	428,565,859	341,125,907	-	-
Management fees	-	-	4,386,423	1,849,943
	428,565,859	341,125,907	4,386,423	1,849,943

21. PROFIT/(LOSS) BEFORE TAX

The following items have been charged/(credited) in arriving at profit/(loss) before tax:

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Amortisation of intangible asset		78,964	78,964	-	-
Auditors' remuneration					
- statutory audit		155,454	118,000	25,000	16,000
- under/(over) provision in prior financial year		1,000	14,500	(10,000)	(8,000)
- other services		69,000	109,000	69,000	2,000
Bad debt written off		1,778	38,818	-	-
Depreciation of property, plant and equipment	5	3,542,234	2,957,521	18,076	6,201
Employee benefits expense	22	20,390,511	14,479,791	3,687,576	2,145,500
Gain on bargain purchase arising from acquisition of subsidiaries		(2,173,487)	(1,824,858)	-	-
Gain on disposal of property, plant and equipment		(7,499)	(79,226)	-	-
Realised gain on foreign exchange		(536,632)	(3,020)	-	-
Impairment loss on:					
- trade receivables		384,675	49,091	-	-
- other receivables		21,672	-	-	-
Interest expense:					
- bank overdrafts		1,142,549	1,083,946	-	-
- bankers' acceptances		5,169,054	3,079,941	-	-
- finance lease liabilities		310,832	273,646	-	-
- term loans		608,964	537,537	-	-
Interest income		(228,034)	(264,626)	(21,935)	(91,259)
Income distribution from short-term fund		-	(54,936)	-	(54,936)
Inventories written off		2,347,591	2,113,098	-	-
Property, plant and equipment written off		206	3	-	-
Rental expense on:					
- warehouses and offices		2,743,375	1,081,055	-	-
- office equipment		255,742	254,442	-	-
Rental income on:					
- motor vehicles		(515,318)	(526,252)	-	-
- warehouses and offices		(385,100)	(87,200)	-	-

NOTES TO THE FINANCIAL STATEMENTS
cont'd

22. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Salaries, wages,bonuses, allowances and incentives	18,142,834	12,884,289	3,408,833	2,001,939
Defined contribution plan	1,987,685	1,438,852	265,731	138,996
Social security contribution	259,992	156,650	13,012	4,565
	20,390,511	14,479,791	3,687,576	2,145,500

Included in employee benefits expenses are:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Directors of the Company				
Executive:				
Fees	200,120	87,570	150,120	87,570
Other emoluments	1,709,469	1,520,364	1,643,601	1,132,856
	1,921,589	1,607,934	1,793,721	1,220,426
Non-executive:				
Fees	250,200	228,800	250,200	166,800
Other emoluments	19,795	4,000	19,795	4,000
	269,995	232,800	269,995	170,800
	2,191,584	1,840,734	2,063,716	1,391,226

23. TAX EXPENSE/(CREDIT)

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Statements of comprehensive income				
Current income tax:				
Based on results of the current financial year	1,208,600	1,804,021	-	-
Under provision in prior financial years	188,021	9,676	-	-
	1,396,621	1,813,697	-	-
Deferred tax (Note 9):				
Origination and reversal of temporary differences	(261,290)	(583,030)	(55,151)	(267,887)
Under provision in prior financial years	269,051	56,185	195,903	-
	7,761	(526,845)	140,752	(267,887)
Tax expense/(credit) recognised in profit or loss	1,404,382	1,286,852	140,752	(267,887)

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

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Profit/(Loss) before tax	2,988,581	3,216,830	(1,658,458)	(2,943,840)
Tax at Malaysian statutory income tax rate of 24% (2016: 24%)	717,259	772,039	(398,030)	(706,522)
Effect of different tax rate in other country	(75,159)	-	-	-
Tax effects arising from:				
- non-deductible expenses	430,080	464,241	342,879	438,635
- non-taxable income	(133,892)	(15,289)	-	-
- deferred tax assets not recognised during the financial year	9,022	-	-	-
Under provision in prior prior financial years				
- income tax	188,021	9,676	-	-
- deferred tax	269,051	56,185	195,903	-
Income tax expense/(credit)	1,404,382	1,286,852	140,752	(267,887)

Domestic tax is calculated at the Malaysian statutory income tax rate of 24% (2016: 24%) of the estimated assessable profit for the financial year.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

24. EARNINGS PER SHARE

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

	Group	
	2017	**2016**
	RM	**RM**
Basic earnings per share		
Profit attributable to the owners of the Company:	1,115,035	1,851,566
Weighted average number of ordinary shares for basic earnings per share	510,277,000	453,244,213
Basic earnings per share (sen)	0.22	0.41

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

	Group	
	2017	**2016**
	RM	**RM**
Diluted earnings per share		
Profit attributable to the owners of the Company:	1,115,035	1,851,566
Weighted average number of ordinary shares for basic earnings per share	510,277,000	453,244,213
Effect of dilution from:		
- redeemable convertible preference shares	160,012,387	160,012,387
	670,289,387	613,256,600
Diluted earnings per share (sen)	0.17	0.30

The weighted average number of ordinary shares in issue is adjusted for the number of ordinary shares issued as the consideration for the acquisition of KTCSB.

25. CAPITAL AND OTHER COMMITMENTS

(a) The Group has made commitments for the following capital expenditures:

	Group 2017 RM	Group 2016 RM
In respect of capital expenditure approved and contracted for:		
- acquisition of distribution business in Brunei	-	1,788,480
- acquisition of subsidiaries	-	2,235,482
- property, plant and equipment	4,049,994	5,954,190
	4,049,994	9,978,152

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

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

	Group 2017 RM	Group 2016 RM
- Not later than one year	1,578,583	975,200
- More than one year and not later than five years	3,616,063	3,698,800
- More than five years	1,308,000	1,668,000
	6,502,646	6,342,000

26. RELATED PARTIES

(a) Identity of related parties

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

Related parties of the Group include:

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

26. RELATED PARTIES *cont'd*

(b) Significant related party transactions

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

	Company	
	2017	2016
	RM	RM
Transactions with subsidiaries are as follows:		
- Management fee received	4,386,423	1,849,943

(c) Compensation of key management personnel

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

The remuneration of the key management personnel is as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Salaries, fees and incentives	2,846,476	1,762,170	2,819,570	1,325,170
Defined contribution plan	182,558	77,290	181,992	65,040
Social security contribution	6,552	1,274	6,156	1,016
	3,135,586	1,840,734	3,007,718	1,391,226

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

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

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Financial Assets				
Loans and receivables				
- Trade and other receivable, excluding prepayments and GST refundable	111,460,032	91,645,029	12,547,727	5,896,290
- Deposits, cash and cash balances	2,776,931	21,998,887	163,813	12,615,539
	114,236,963	113,643,916	12,711,540	18,511,829

27. FINANCIAL INSTRUMENTS *cont'd*

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Financial Liabilities				
Other financial liabilities				
- Trade and other payables, excluding GST payable	25,506,924	30,922,711	8,072,710	8,024,690
- Loans and borrowings	153,135,270	116,872,939	-	-
	178,642,194	147,795,650	8,072,710	8,024,690

(b) Fair value measurement

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

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

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

The following table provides the fair value measurement hierarchy of the Group's financial instruments, other than those with carrying amounts:

		Fair value of financial instruments not carried at fair value			
	Carrying amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Group	**RM**	**RM**	**RM**	**RM**	**RM**
2017					
Financial liabilities					
Other financial liabilities					
- finance lease liabilities	6,142,295	-	5,644,624	-	5,644,624
- fixed rate term loan	243,199	-	543,576	-	543,576
	6,385,494	-	6,188,200	-	6,188,200
2016					
Financial liabilities					
Other financial liabilities					
- finance lease liabilities	4,361,601	-	4,306,562	-	4,306,562
- fixed rate term loan	529,006	-	543,576	-	543,576
	4,890,607	-	4,850,138	-	4,850,138

NOTES TO THE FINANCIAL STATEMENTS
cont'd

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Interest rate risk

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

The Group's exposure to interest rate risk arises primarily from their loans and borrowings and cash deposits placed with the financial institutions. 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. For interest income from cash deposits, the Company managed the interest rate risks by placing cash deposits with reputable financial institutions with varying maturities and interest rate terms.

Sensitivity analysis

As at the reporting date, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM580,990 (2016: RM442,107) higher/lower respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the current observable market environment.

(b) Liquidity risk

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

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

Group	Carrying amount RM	On demand within 1 year RM	Between 1 and 5 years RM	More than 5 years RM	Total RM
2017					
Financial liabilities:					
Trade and other payables	25,506,924	25,506,924	-	-	25,506,924
Loans and borrowings	153,135,270	139,799,388	10,187,244	13,707,160	163,693,792
	178,642,194	165,306,312	10,187,244	13,707,160	189,200,716

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

(b) Liquidity risk *cont'd*

Analysis of financial instruments by remaining contractual maturities *cont'd*

Group	Carrying amount RM	On demand within 1 year RM	Between 1 and 5 years RM	More than 5 years RM	Total RM
2016					
Financial liabilities:					
Trade and other payables	30,922,711	30,922,711	-	-	30,922,711
Loans and borrowings	116,872,939	102,842,763	7,699,238	11,794,654	122,336,655
	147,795,650	133,765,474	7,699,238	11,794,654	153,259,366

	Carrying amount RM	On demand within 1 year RM	Total RM
Company			
2017			
Financial liabilities:			
Trade and other payables	8,072,710	8,072,710	8,072,710
2016			
Financial liabilities:			
Trade and other payables	8,024,690	8,024,690	8,024,690

(c) Credit risk

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

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

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

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

Exposure to credit risk

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

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

(c) Credit risk *cont'd*

Credit risk concentration profile

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

Financial guarantees

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

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

The maximum exposure to credit risk amounted to RM133,590,784 (2016: RM100,218,077), representing the outstanding credit facilities of the subsidiaries and bank guarantee of the third parties guaranteed by the Company at the reporting date. At the reporting date, there was no indication that the subsidiaries and the third parties would default on their repayments.

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

29. SEGMENT INFORMATION

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

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

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

Segment profit

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

Segment assets

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

Segment liabilities

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

29. SEGMENT INFORMATION *cont'd*

	Note	Distribution RM	Manufacturing RM	Others RM	Adjustments and Elimination RM	Total RM
2017						
Revenue						
Revenue from external customers		422,480,343	6,027,516	58,000	-	428,565,859
Inter-segment revenue	a	26,117,606	-	4,502,423	(30,620,029)	-
Total revenue		448,597,949	6,027,516	4,560,423	(30,620,029)	428,565,859
Results						
Amortisation of intangible assets		(78,964)	-	-	-	(78,964)
Interest income		201,062	5,037	21,935		228,034
Interest expenses		(6,774,254)	(374,210)	(82,935)		(7,231,399)
Depreciation of property, plant and equipment		(2,249,978)	(778,390)	(18,076)	(495,790)	(3,542,234)
Gain on bargain purchase arising from acquisition of subsidiaries		(806,012)	-	(1,367,475)	-	(2,173,487)
Rental expenses on:						
- warehouses and offices		(3,149,775)	-	-	406,400	(2,743,375)
- office equipment		(233,446)	(2,566)	(19,730)	-	(255,742)
Other non-cash expenses	b	(2,558,720)	(197,202)	-	-	(2,755,922)
Segment profit/(loss)	c	3,146,219	(119,986)	(1,656,561)	1,618,909	2,988,581
Assets:						
Additions to non-current assets (excluding financial assets and deferred tax assets)	d	7,137,432	820,149	8,473,069	-	16,430,650
Segment assets	e	296,318,434	15,956,487	107,318,756	(140,050,006)	279,543,671
Liabilities:						
Segment liabilities	f	217,529,325	14,662,033	11,858,483	(58,468,504)	185,581,337

NOTES TO THE FINANCIAL STATEMENTS
cont'd

29. SEGMENT INFORMATION *cont'd*

	Note	Distribution RM	Manufacturing RM	Others RM	Adjustments and Elimination RM	Total RM
2016						
Revenue						
Revenue from external customers		334,159,359	6,966,548	-		341,125,907
Inter-segment revenue	a	25,803,626	-	1,849,942	(27,653,568)	-
Total revenue		359,962,985	6,966,548	1,849,942	(27,653,568)	341,125,907
Results						
Amortisation of intangible assets		(78,964)	-	-	-	(78,964)
Income distribution from short-term fund		54,936	-	-	-	54,936
Interest income		168,865	4,502	91,259		264,626
Interest expenses		(4,627,342)	(347,728)	-	-	(4,975,070)
Depreciation of property, plant and equipment		(1,845,595)	(630,104)	(6,201)	(475,621)	(2,957,521)
Gain on bargain purchase arising from acquisition of subsidiaries		1,824,858	-	-	-	1,824,858
Rental expenses on:						
- warehouses and offices		1,058,735	-	312,720	(290,400)	1,081,055
- office equipment		241,612	5,328	7,502	-	254,442
Other non-cash expenses	b	(1,707,488)	(493,522)	-	-	(2,201,010)
Segment profit/(loss)	c	5,110,862	(220,464)	(2,943,840)	1,270,272	3,216,830
Assets:						
Additions to non-current assets (excluding financial assets and deferred tax assets)	d	1,605,597	1,017,302	62,010	33,023,578	35,708,487
Segment assets	e	239,101,995	14,900,756	104,091,771	(113,670,083)	244,424,439
Liabilities:						
Segment liabilities	f	166,634,793	13,473,549	8,070,851	(34,410,337)	153,768,856

29. SEGMENT INFORMATION *cont'd*

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

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

	2017 RM	2016 RM
Inventories written off	(2,347,591)	(2,113,098)
Property, plant and equipment written off	(206)	(3)
Bad debts written off	(1,778)	(38,818)
Impairment loss on:		
- trade receivables	(384,675)	(49,091)
- other receivables	(21,672)	-
	(2,755,922)	(2,201,010)

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

	2017 RM	2016 RM
Profit from inter-segment sales	(4,502,423)	(1,814,942)
Unallocated corporate expenses	8,124,752	3,625,985
Other income	(2,003,420)	(540,771)
	1,618,909	1,270,272

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

	2017 RM	2016 RM
Property, plant and equipment	16,430,650	29,411,247
Goodwill on cosolidation	-	5,981,384
Intangible assets	-	315,856
	16,430,650	35,708,487

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

	2017 RM	2016 RM
Inter-segment assets	(140,050,006)	(113,670,083)

NOTES TO THE FINANCIAL STATEMENTS
cont'd

29. SEGMENT INFORMATION *cont'd*

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

	2017 RM	2016 RM
Inter-segment liabilities	(58,468,504)	(34,410,337)

Geographical Information

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

	2017 RM	2016 RM
Revenue from sales to external customers by location of the customers		
Sabah	305,635,954	299,023,785
Sarawak	99,390,523	25,540,056
Labuan and others	23,539,382	16,562,066
	428,565,859	341,125,907

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

	Sabah RM	Sarawak RM	Brunei RM	Total RM
2017				
Property, plant and equipment	61,666,134	11,249,313	270,394	73,185,841
Goodwill on consolidation	4,164,013	1,817,371	-	5,981,384
Intangible assets	157,928	-	-	157,928
	65,988,075	13,066,684	270,394	79,325,153

	Sabah RM	Sarawak RM	Total RM
2016			
Property, plant and equipment	59,323,271	978,581	60,301,852
Goodwill on consolidation	4,164,013	1,817,371	5,981,384
Intangible assets	236,892	-	236,892
	63,724,176	2,795,952	66,520,128

29. SEGMENT INFORMATION *cont'd*

Major customers

There is a major customer with revenue equal or more than ten percent (10%) (2016: 9.38%) of the revenue of the Group during the current financial year.

30. CAPITAL MANAGEMENT

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

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

The Group and the Company monitor capital using a gearing ratio, which is net debts divided by total capital plus net debts. Net debts comprise total borrowings and trade and other payables, less cash and bank balances and cash deposits placed with a licensed bank whilst total capital is the equity attributable to the owners of the Company.

The gearing ratio is as follows:

	Group		**Company**	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Loans and borrowings	153,135,270	116,872,939	-	-
Trade and other payables	25,627,278	31,208,436	8,144,872	8,070,851
Less:				
Deposit, cash and bank balances	(2,776,931)	(21,998,887)	(163,813)	(12,615,539)
Total debts	175,985,617	126,082,488	7,981,059	(4,544,688)
Total equity	90,822,857	89,789,331	94,221,710	96,020,920
Gearing ratio	194%	140%	8%	*

* *Not meaningful*

The Company is not subject to any externally imposed capital requirements except as disclosed in Note 18.

31. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Acquisition of TPSB

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

31. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR *cont'd*

(b) Acquisition of GMSB

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

(i) conditional share purchase agreement to acquire a total of 80,000 ordinary shares of B$1.00 each in GMSB for a total cash consideration of B$80,000.00 (equivalent to approximately RM238,464.00), and

(ii) conditional share subscription agreement to subscribe for 520,000 new ordinary shares of B$1.00 each in GMSB for a total cash consideration of B$520,000.00 (equivalent to approximately RM1,550,016.00).

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

SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad issued a directive pursuant to paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as at the end of the reporting period, into realised and unrealised profits and losses.

The following analysis of realised and unrealised profits or losses included in the retained earnings/ (accumulated losses) of the Group and the Company as at 30 June 2017 and 30 June 2016 are presented in accordance with the directive of Bursa Malaysia Securities Berhad and prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:				
- realised	51,800,208	52,138,563	(5,265,798)	(3,607,340)
- unrealised	(6,233,694)	(5,389,270)	127,135	267,887
	45,566,514	46,749,293	(5,138,663)	(3,339,453)
Consolidation adjustments	(15,372,920)	(17,853,712)	-	-
Total retained earnings/ (accumulated losses)	30,193,594	28,895,581	(5,138,663)	(3,339,453)

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not applied for any other purpose.

STATEMENTS BY DIRECTORS

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

We, **DATUK LAU KOH SING @ LAU KOK SING** and **LAU WEI DICK @ DEXTER DICK LAU**, being two of the directors of Kim Teck Cheong Consolidated Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 57 to 132 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 132 has been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

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

DATUK LAU KOH SING @ LAU KOK SING
Director

LAU WEI DICK @ DEXTER DICK LAU
Director

Kota Kinabalu

Date: 20 October 2017

STATUTORY DECLARATION

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

I, **CHRISTINA YAP CHUI FUI**, being the officer primarily responsible for the financial management of Kim Teck Cheong Consolidated Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 57 to 132 and the supplementary information set out on page 132 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHRISTINA YAP CHUI FUI

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 20 October 2017.

Before me,

TAN KIM CHOOI (No. W661)
Commissioner of Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KIM TECK CHEONG CONSOLIDATED BERHAD (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 2017 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 57 to 132.

In our opinion, the accompanying financial statements give a true and fair view of the financial positions of the Group and of the Company as at 30 June 2017, and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Key Audit Matters

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

Goodwill (Note 7 to the financial statements)

Risk:

The goodwill is tested for impairment annually. In performing the impairment assessment, the directors have identified the cash generating unit to which the goodwill is allocated.

We focused on this area because the impairment assessment requires the exercise of significant judgements and estimates by the director on the discount rates applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections, including forecast growth rates and gross profit margin.

Our audit response:

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

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

Key Audit Matters *cont'd*

Receivables (Note 11 to the financial statements)

Risk:

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

Our audit response:

Our audit procedures included, among others:

- evaluating the design and assessing the implementation of controls associated with monitoring and impairment assessment of receivables that were either in default or significantly overdue;
- understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports and other collection reports prepared by the Group;
- obtaining confirmation of balances from selected samples of receivables;
- reviewing subsequent receipts, customer correspondence, and explanation on recoverability of significantly past due balances; and assessing the reasonableness of impairment charges for the identified credit exposures.

Inventories (Note 10 to the financial statements)

Risk:

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

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

Our audit response:

Our audit procedures included, among others:

- evaluating the design and assessing the implementation of controls associated with monitoring and detection and write down/off of slow-moving inventories as at 30 June 2017;
- observing year end physical inventory count to examine the physical existence and condition of the finished goods and evaluating the design and assessing the implementation of controls during the count;
- reviewing subsequent sales and evaluating the Group's assessment on estimated net realisable values on selected inventory items; and
- evaluating whether the inventories have been written down to their net realisable values for inventory items with net realisable values lower than their costs.

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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KIM TECK CHEONG CONSOLIDATED BERHAD (INCORPORATED IN MALAYSIA)

cont'd

Information Other than the Financial Statements and Auditors' Report Thereon *cont'd*

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

Directors' Responsibility for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

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

- 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KIM TECK CHEONG CONSOLIDATED BERHAD (INCORPORATED IN MALAYSIA)

cont'd

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

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

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

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

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

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

Other Reporting Responsibilities

The supplementary information set out on page 132 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad ("Bursa Securities") and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Securities. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Securities.

Other Matters

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

Baker Tilly Monteiro Heng	Kenny Yeoh Khi Khen
No. AF 0117	No. 03229/09/2018J
Chartered Accountants	Chartered Accountant

Kuala Lumpur

Date: 20 October 2017

GROUP'S PROPERTIES
AS AT 30 JUNE 2017

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 2017 RM
Creamos Malaysia	**Title** Master Title CL 015585501, District of Kota Kinabalu, State of Sabah **Address** Lot No. 3, Lorong 1F KKIP Selatan, Industrial Zone 4 (I.Z. 4), Kota Kinabalu Industrial Park, 88460 Telipok, Kota Kinabalu, Sabah ("Lot 3")	**Description** Industrial land with a detached 3-storey office cum single-storey warehouse building **Existing use** (i) Ground floor of the 3-storey office is used by Creamos Malaysia as storage; (ii) A portion of ground floor (approximately 235 sq ft) is used by Creamos Malaysia as sanitation room; (iii) First and second floor of the 3-storey office is used by Creamos Malaysia as office; and (iv) Warehouse building is used by Creamos Malaysia as factory. A small part of the exterior of the building at Lot 3 is used by Digi Telecommunications Sdn Bhd for the installation of base transceiver station facility and for the installation of antennas and/or other telecommunications equipment.	**Approximate age of the building** 8 years **Tenure** 99 years expiring 31 December 2098	81,457/ 20,595	29 May 2015	7,266,152
KTC Distribution	**Title** Master Title CL 015585501, District of Kota Kinabalu, State of Sabah **Address** Lot No. 5, Jalan 1F K.K.I.P, Kota Kinabalu Industrial Park (KKIP), Industrial Zone 4 (IZ4), 88460 Kota Kinabalu, Sabah	**Description** Industrial land with a detached single-storey warehouse/cold room storage industrial building **Existing Use** Entire building is used by KTC Distribution as office and warehouse storage.	**Approximate age of the building** 4 years **Tenure** 99 years expiring on 31.12.2098	105,809/ 15,500	20 October 2014	6,923,514

GROUP'S PROPERTIES
AS AT 30 JUNE 2017
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 2017 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** 34 years and 29 years (for extended warehouse) **Tenure** 60 years expiring on 31.12.2034	53,580/ 26,600	20 October 2014	10,077,758
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** 11 years **Tenure** 60 years expiring on 31.12.2072	20,076/ 11,592	20 October 2014	4,839,212

GROUP'S PROPERTIES
AS AT 30 JUNE 2017
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 2017 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** 11 years **Tenure** 60 years expiring on 31.12.2072	19,540/ 11,592	20 October 2014	4,749,525
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** 23 years **Tenure** 60 years expiring on 31.12.2070	42,857/ 17,600	20 October 2014	9,214,748
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** 7 years **Tenure** 99 years expiring on 31.12.2101	35,761/ 22,974	20 October 2014	6,042,416

GROUP'S PROPERTIES
AS AT 30 JUNE 2017
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 2017 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** 9 years **Tenure** 60 years expiring on 14.06.2065	130,674/ 45,000	28 February 2017	7,479,831

ANALYSIS OF SHAREHOLDINGS

AS AT 17 OCTOBER 2017

Authorised Share Capital	:	RM100,000,000 divided into: 750,000,000 Ordinary Shares of RM0.10 each and 25,000,000 Redeemable Convertible Preference Shares of RM1.00 each
Issued and fully paid-up Share Capital	:	RM51,027,700 divided into 510,277,000 Ordinary Shares of RM0.10 each and RM24,001,858 divided into 24,001,858 Redeemable Convertible Preference Shares of RM1.00 each
Class of Shares	:	Ordinary Shares of RM0.10 each Redeemable Convertible Preference Shares of RM1.00 each
Voting Rights	:	One (1) vote per Ordinary Share The Redeemable Convertible Preference Share does not carry voting right except circumstances set out in the Company's Articles of Association
Number of Shareholders	:	2,481

DISTRIBUTION OF ORDINARY SHAREHOLDINGS

Size of Holdings	No of Shareholders	%	Shareholdings	%
Less than 100	4	0.161	117	0.000
100 – 1,000	134	5.401	79,833	0.015
1,001 - 10,000	817	32.930	5,568,000	1.091
10,001 – 100,000	1,341	54.050	52,959,050	10.378
100,001 to less than 5% of issued share capital	184	7.416	83,393,000	16.342
5% and above of issued share capital	1	0.040	368,277,000	72.171
Total	2,481	100.000	510,277,000	100.000

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	100.00
Total	1	24,001,858	100.00

ANALYSIS OF SHAREHOLDINGS
AS AT 17 OCTOBER 2017
cont'd

SUBSTANTIAL SHAREHOLDERS
As per the Register of Substantial Shareholders

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

Notes:-
(1) *Deemed interested by virtue of its/ his shareholdings in Kim Teck Cheong Holdings Sdn Bhd pursuant to Section 8 of the Companies Act, 2016 ("the Act").*
(2) *Deemed interested by virtue of his father's shareholdings in Kim Teck Cheong Holdings Sdn Bhd and his shareholdings Kim Teck Cheong Capital Sdn Bhd pursuant to Sections 6A and 197 of the Act.*

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

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

Notes:-
(1) *Deemed interested by virtue of its/ his shareholdings in Kim Teck Cheong Holdings Sdn Bhd pursuant to Section 8 of the Companies Act, 2016 ("the Act").*
(2) *Deemed interested by virtue of his father's shareholdings in Kim Teck Cheong Holdings Sdn Bhd and his shareholdings Kim Teck Cheong Capital Sdn Bhd pursuant to Sections 6A and 197 of the Act.*

ANALYSIS OF SHAREHOLDINGS

AS AT 17 OCTOBER 2017

cont'd

DIRECTORS' INTERESTS IN RCPS

As per the Register of Directors' Shareholdings

Name	Shareholdings			
	Direct	%	Indirect	%
Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra	-	-	-	-
Y.A.M. Tengku Datin Paduka Setia Zatashah Binti Sultan Sharafuddin Idris Shah	-	-	-	-
Y.Bhg. Datuk Lau Koh Sing @ Lau Kok Sing	-	-	24,001,858[1]	100.00
Y.Bhg Datin Lim Fook Len @ Lim Su Chin	-	-	24,001,858[2]	100.00
Lau Wei Dick @ Dexter Dick Lau	-	-	24,001,858[2]	100.00
Lim Hui Kiong	-	-	-	-
Wee Hock Kee	-	-	-	-
Tan Jwee Peng	-	-	-	-

Notes:-

[1] *Deemed interested by virtue of his shareholdings in Kim Teck Cheong Holdings Sdn Bhd and Kim Teck Cheong Capital Sdn Bhd pursuant to Section 6A of the Act.*

[2] *Deemed interested by virtue of his/ her family member's shareholdings in Kim Teck Cheong Holdings Sdn Bhd and his shareholdings Kim Teck Cheong Capital Sdn Bhd pursuant to Sections 6A and 122A of the Act.*

THIRTY (30) LARGEST SHAREHOLDERS

No.	Name	Shareholdings	%
1.	Kim Teck Cheong Holdings Sdn Bhd	368,277,000	72.171
2.	Chin Hooi Nan	7,920,000	1.552
3.	HSBC Nominees (Asing) Sdn Bhd *HSBC-FS I For JPMorgan Malaysia Fund*	6,076,000	1.190
4.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Siah Song Lin*	4,238,800	0.830
5.	Cheng Kok Ding @ Tank Kok Ding	3,639,000	0.713
6.	Chin Hooi Nan	2,954,000	0.578
7.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Liu Shet Mui (E-KKU)*	2,628,900	0.515
8.	Liew Siew Kian	1,865,000	0.365
9.	Ng Choon Chuan	1,766,600	0.346
10.	Low Kam Fatt	1,600,000	0.313
11.	Mohd Azeem Shah Bin Aziz Mohammed	1,300,000	0.254
12.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Wong Kuai Kang @ Wong Cho Kan (6000481)*	1,215,000	0.238
13.	Tan Chee Keong	1,100,000	0.215
14.	Kua Sai Ling @ Kua Sai Lin	1,060,000	0.207
15.	Tan Yen Chuan	1,055,000	0.206
16.	Lee Teck Leong	1,000,000	0.195
17.	Loo Pang How	819,900	0.160
18.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Loh Wan Xian (E-TAI)*	800,000	0.156
19.	RHB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For David Ling Howe Kim*	770,300	0.150

ANALYSIS OF SHAREHOLDINGS
AS AT 17 OCTOBER 2017
cont'd

THIRTY (30) LARGEST SHAREHOLDERS *cont'd*

No.	Name	Shareholdings	%
20.	Public Nominees (Asing) Sdn Bhd *Pledged Securities Account For Phang Mah Thiang (E-LBG)*	729,600	0.142
21.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Bong Khiong Sin*	700,000	0.137
22.	Thien Wai Kam	700,000	0.137
23.	Au Peh Chen	682,400	0.133
24.	Yong Fan Hing	680,000	0.133
25.	Kow Ah Loy	609,900	0.119
26.	Sie Kheng Siang	601,800	0.117
27.	Maybank Securities Nominees (Asing) Sdn Bhd *Maybank Kim Eng Securities Pte Ltd For Ng Lay Ping*	600,000	0.117
28.	Thien Sin Min @ Peter	600,000	0.117
29.	Yeo Eng Chong @ Yeo Yong Chong	580,000	0.113
30.	Siah Song Lin	564,500	0.110
		417,133,700	81.746

LIST OF RCPS HOLDER

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

NOTICE OF THIRD ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Third Annual General Meeting of Kim Teck Cheong Consolidated Berhad **("KTC" or "Company")** will be held at Sheraton Imperial Kuala Lumpur Hotel, Level 2, Nusantara Ballroom 1, Jalan Sultan Ismail, 50250 Kuala Lumpur on Monday, 27 November 2017 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 2017 together with the Reports of the Directors and Auditors thereon. **Please refer to Note 1**

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

   (i) Directors' fees of RM250,200 for the financial year ended 30 June 2017; and **Resolution 1**
   (ii) Directors' fees and meeting allowance of RM300,000 from 1 July 2017 up to the next Annual General Meeting of the Company to be held in 2018. **Resolution 2**

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

   Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra **Resolution 3**
   Lim Hui Kiong **Resolution 4**
   Wee Hock Kee **Resolution 5**

4. To re-appoint Messrs. Baker Tilly Monteiro Heng as the Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 6**

SPECIAL BUSINESS:-

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

6. **ORDINARY RESOLUTION**
   - **Authority for Directors to allot and issue shares pursuant to Section 76 of the Companies Act, 2016** **Resolution 7**

   "**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."

7. **ORDINARY RESOLUTION** **Resolution 8**
   Re-appointment of Director

   To re-appoint Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing under the resolution passed at the last Annual General Meeting held on 24 November 2016 pursuant to Section 129 of the Companies Act 1965 (which was then in force), to continue to act as director of the Company from the date of this Annual General Meeting:

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.

NOTICE OF THIRD ANNUAL GENERAL MEETING
cont'd

BY ORDER OF THE BOARD

WONG YOUN KIM (MAICSA 7018778)
Company Secretary

Dated: 31 October 2017
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 23 November 2017 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the meeting or appoint proxy(ies) to attend and/or vote on his behalf.*

8. ***Explanatory Notes on Special Business***

   Resolution 7 pursuant to Section 76 of the Companies Act, 2016

   The proposed Ordinary Resolution 7 is intended to renew the authority granted to the Directors of the Company at the Second Annual General Meeting of the Company held on 24 November 2016 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 24 November 2016.

   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).

   Resolution 8 – Re-appointment of Director

   The proposed Ordinary Resolution 8 under item 7 is to seek shareholders' approval on the re-appointment of Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing, who had been re-appointed in the previous Annual General Meeting held on 24 November 2016 as Director under Section 129 of the former Companies Act, 1965 which was then in force and whose term would expire at the conclusion of the Third AGM, as a Director of the Company. If passed, the proposed Resolution 8 will authorize the continuation of Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing in office from the date of the Third AGM onwards.

STATEMENT ACCOMPANYING NOTICE OF THE THIRD ANNUAL GENERAL MEETING

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

   Article 85

   Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra
   Lim Hui Kiong
   Wee Hock Kee

   Re-appointment

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

   The profiles of the Directors who are standing for re-election is set out on page 8 to 15 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 2017 are disclosed in the Corporate Governance Statement set out on page 37 of this Annual Report.

3. The details of the Second Annual General Meeting are as follows:

Date of Meeting	Time of Meeting	Place of Meeting
Monday, 27 November 2017	10.00 a.m.	Sheraton Imperial Kuala Lumpur Hotel Level 2, Nusantara Ballroom 1, Jalan Sultan Ismail, 50250 Kuala Lumpur

PROXY FORM

KIM TECK CHEONG CONSOLIDATED BERHAD
(Company No: 1113927-H)

I/We____
(name of shareholder as per NRIC, in capital letters)

NRIC No./Passport No./Company No.______________________(New) ______________________(Old)

of____
(full address)

being a Member/Members of Kim Teck Cheong Consolidated Berhad hereby appoint ______________________

______________________NRIC No. ______________________(New) ______________________(Old)
(name of proxy as per NRIC, in capital letters)

of____
(full address)

or failing him/her the Chairman of the meeting as my/our proxy to vote on my/our behalf at the Second Annual General Meeting of the Company to be held at Sheraton Imperial Kuala Lumpur Hotel, Level 2, Nusantara Ballroom 1, Jalan Sultan Ismail, 50250 Kuala Lumpur on Monday, 27 November 2017 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: (i) Directors' fees of RM250,200 for the financial year ended 30 June 2017; and		
2	(ii) Directors' fees and meeting allowance of RM300,000 from 1 July 2017 up to the next Annual General Meeting of the Company to be held in 2018.		
3	Re-election of Director – Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra		
4	Re-election of Director – Lim Hui Kiong		
5	Re-election of Director – Wee Hock Kee		
6	To re-appoint Messrs. Baker Tilly Monteiro Heng as the Auditors of the Company and to authorise the Board of Directors to fix their remuneration		
7	Authority to Issue Shares Pursuant to Section 76 of the Companies Act, 2016		
8	Re-appointment of Director – Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing		

Dated this ____________ day ______________ 2017

CDS ACCOUNT NO.	NUMBER OF SHARES HELD

____
Signature/Common Seal

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

	Percentage
Proxy 1	%
Proxy 2	%
Total	100%

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 23 November 2017 (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.*

Fold this flap for sealing

Then fold here

Affix
stamp

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

1st fold here

www.kimteckcheong.com

Kim Teck Cheong Consolidated Berhad (1113927-H)

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