



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

2020

Annual Report



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About

KIM TECK CHEONG

Equipped with over 83 years of industry experience, the business has been successfully managed by the Lau family and it continues to expand its business presence and branding throughout East Malaysia and Brunei.

Today, Kim Teck Cheong ("**KTC**") is a first tier provider of market access and coverage in the distribution of Consumer Package Goods ("**CPG**") in East Malaysia with over 6,957 sales and distribution points covering more than 84 districts. KTC's core business focusses on providing market access and coverage of CPG including food and beverage ("**F&B**"), personal care, household, baby care, over-the-counter ("**OTC**") drugs and health supplements.

KTC also involved manufacturing of its own brand bakery products, namely Creamos. In 2020, KTC has entered into license agreements which granted KTC the rights to use the trademarks of 'Gardenia' to operate the business of manufacturing of bread, cakes and ice-cream, transportation, supply and distribution of bread, cakes and ice cream in East Malaysia and Indonesia and this allowed KTC to expand its portfolio of distribution of third-party brands and products across Indonesia.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Y. Bhg. Tan Sri Datuk Seri Panglima Richard Malanjum
Independent Non-Executive Chairman

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

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

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

Lim Hui Kiong
Non-Independent Executive Director

Phang Sze Fui
Independent Non-Executive Director

Wong Wen Miin
Independent Non-Executive Director

Y. Bhg. Dato' Mohd Ibrahim Bin Mohd Nor
Independent Non-Executive Director

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

AUDIT AND RISK MANAGEMENT COMMITTEE

Chairperson
Phang Sze Fui

Members
Wong Wen Miin
Y. Bhg. Dato' Mohd Ibrahim Bin Mohd Nor

REMUNERATION COMMITTEE

Chairperson
Wong Wen Miin

Members
Y. Bhg. Datuk Lau Koh Sing
@ Lau Kok Sing
Phang Sze Fui

NOMINATION COMMITTEE

Chairman
Y. Bhg. Dato' Mohd Ibrahim Bin Mohd Nor

Members
Wong Wen Miin
Phang Sze Fui

COMPANY SECRETARY

Wong Youn Kim (MAICSA 7018778)

REGISTERED OFFICE

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

HEAD OFFICE

Lot 73, Jalan Kilang
SEDCO Light Industrial Estate
Mile 5 ½, Jalan Tuaran
88450 Kota Kinabalu
Sabah, Malaysia
Tel : +6013-811 0111
Fax : +6088-422 011
Email : investorrelation@kimteckcheong.com
Website : www.kimteckcheong.com

AUDITORS

PKF Malaysia (AF 0911)
Lot 23-1 & 25-1, 1st Floor
Lintas Plaza
88300 Kota Kinabalu
Sabah, Malaysia
Tel : +6088-266 723
Fax : +6088-267 721

REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
[Registration No.: 197101000970 (11324-H)]
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : +603-2783 9299
Fax : +603-2783 9222

PRINCIPAL BANKERS

Amlslamic Bank Berhad
[Registration No.: 199401009897 (295576-U)]
CIMB Bank Berhad
[Registration No.: 197201001799 (13481-P)]
Hong Leong Bank Berhad
[Registration No.: 193401000023 (97141-X)]
HSBC Bank Malaysia Berhad
[Registration No.: 198401015221 (127776-X)]
Malayan Banking Berhad
[Registration No.: 196001000142 (3813-K)]
OCBC Bank (Malaysia) Berhad
[Registration No.: 199401009721 (295400-W)]
Bank of China (Malaysia) Berhad
[Registration No.: 200001008645 (511251-V)]

STOCK EXCHANGE

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

CORPORATE STRUCTURE



KIM TECK CHEONG CONSOLIDATED BERHAD



**Gardenia Bakeries
(East Malaysia) Sdn. Bhd.**
*(Formerly known as "Kim Teck Cheong
(Tawau) Sdn. Bhd.") ("Gardenia")*



**Kim Teck Cheong
Sdn. Bhd.**
("KTC Sdn Bhd")



**Kim Teck Cheong (Borneo)
Sdn. Bhd. ("KTC Borneo")**



**Kim Teck Cheong Brands
Sdn. Bhd. ("KTC Brands")**



**Kim Teck Cheong Retail
Sdn. Bhd.** *(Formerly known as
"Popular Trading (Borneo) Corporation
Sdn. Bhd.") ("KTC Retail")*



**Kim Teck Cheong
Distribution Sdn. Bhd.**
("KTC Distribution")



**Kim Teck Cheong
(Sarawak) Sdn. Bhd.**
("KTC Sarawak")



**Creamos (Malaysia)
Sdn. Bhd.**
("Creamos Malaysia")



**Kim Teck Cheong
Shipping Sdn. Bhd.** *(Formerly
known as "Kim Teck Cheong Transpacific
Sdn. Bhd.") ("KTC Shipping")*



**Kim Teck Cheong
Grandtop Sdn. Bhd.**
("KTC Grandtop")

CORPORATE MILESTONES

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

1938

1946

Started a departmental store in **Kota Kinabalu**

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

1975

1983

Incorporated **Kim Teck Cheong (Tawau) Sdn. Bhd.** for distribution of CPG

Established distribution center in **Tawau**, Sabah

Established distribution centre in **Sandakan**, Sabah

2000

2003

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

Established distribution centre in **Labuan**

2006

2007

Extended product range to cover OTC drugs and health supplements

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

2011

2012

Incorporated **Creamos** to manufacture bakery products

CORPORATE MILESTONES

(cont'd)

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

Acquired 100% equity interest in **Popular Trading (Borneo) Corporation Sdn. Bhd.** (subsequently known as **KTC Retail**)

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

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

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

Entered into License Agreement with Tong Hing Holdings Sdn. Bhd. (to cover both East Malaysia, Sabah and Sarawak) and Gardenia International Ltd (to cover Indonesia) for the exclusive right to use 'Gardenia' trademarks

Change of Kim Teck Cheong (Tawau) Sdn. Bhd. to **Gardenia** and started commenced manufacturing bakery under the brand of Gardenia in Sabah

Change of Popular Trading (Borneo) Corporation Sdn. Bhd. to **KTC Retail** as master distributor for twelve-selected products categories for all Mesra and mini Mesra store in Sabah and Sarawak

Appointment of two new distributorships, Abbott Laboratories (M) Sdn. Bhd. and Brand's Suntory (Malaysia) Sdn. Bhd. by distributing nutrition products and BRAND's essence of chicken

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**)

Listed on the ACE Market of Bursa Malaysia Securities Berhad

Acquire 60% equity interest in **KTC Grandtop**, expanded the distribution business in Brunei

Acquire 100% equity interest in **Kim Teck Cheong Transpacific Sdn. Bhd.**

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

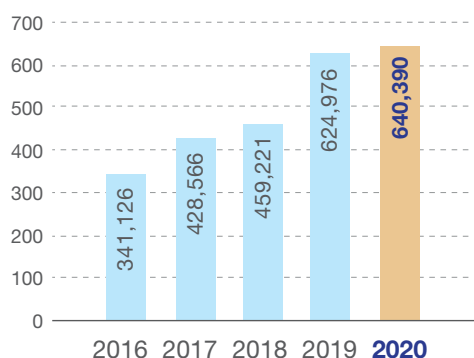
Acquire remaining 20% equity interest in **KTC Sarawak**

2020

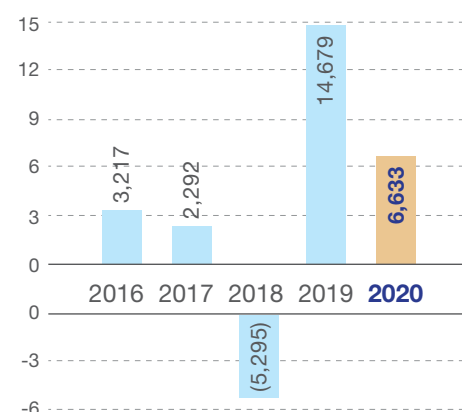
FINANCIAL HIGHLIGHTS

Financial Year Ended ("FYE") 30 June	Audited				
	2016	Restated 2017	Restated 2018	2019	2020
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	341,126	428,566	459,221	624,976	640,390
Profit/(Loss) before tax ("PBT"/"LBT")	3,217	2,292	(5,295)	14,679	6,633
Profit/(Loss) attributable to owners of KTC	1,852	418	(8,128)	11,163	4,156
Shareholders' equity	89,789	90,126	76,251	106,872	112,409

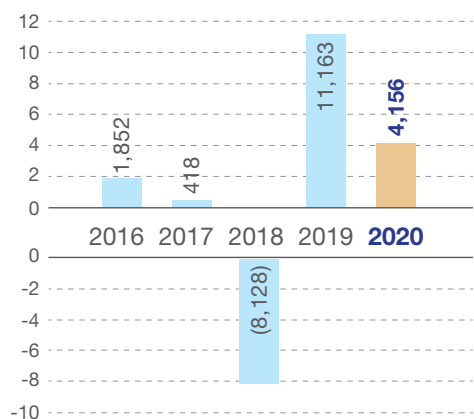
REVENUE
(RM'000)



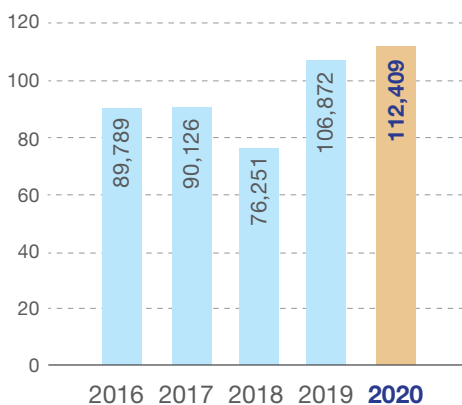
PROFIT/(LOSS) BEFORE TAX
(RM'000)



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



SHAREHOLDERS' EQUITY
(RM'000)



CHAIRMAN'S MESSAGE

Dear Valued Shareholders,

It gives me great pleasure to share my perspectives as the new Chairman of Kim Teck Cheong Consolidated Berhad ("**KTC**" or "**the Group**"). As we are all aware the sudden onset of the Coronavirus Disease 2019 ("**COVID-19**") crisis has forced a massive rethink of how we live, work and play. This unprecedented phenomenon has not only impacted people's health and safety but also, transformed the world and impacted organisations in significant ways. It has brought about significant disruption and detrimental effects on businesses and economies globally. It is therefore critical for businesses to look at areas in which they can reinvent themselves and to put in place necessary measures to ensure long term sustainability of the business.

On the home front, the overall business performance in Malaysia has also been severely affected. Amidst this challenging economic environment, we will continue to strive to maintain our position as the first-tier provider of market access and coverage of CPG in East Malaysia with over 6,957 sales and distributions points covering more than 84 districts.

On behalf of the Board of Directors, I am pleased to present the Annual Report of KTC for the FYE 30 June 2020.

CHAIRMAN'S MESSAGE

(cont'd)

FINANCIAL PERFORMANCE

Our financial performance for the FYE 30 June 2020 has not been spared from the Covid-19 crisis. This can be evidenced by the weakened demands for personal care products, cosmetic products and alcoholic beverages during the Movement Control Order (“MCO”) implemented by the Malaysian Government from 18 March 2020 to 9 June 2020.

Notwithstanding there was a marginal increase of RM15.41 million or 2.47% in the revenue of the Group for FYE 30 June 2020 predominantly contributed by the increase in demand for household products during the MCO period which, however, has been largely neutralised by the weakening demand for the products in the other segment during the same MCO period. On the other hand, the PBT has decreased by RM8.05 million or 54.81% to RM6.63 million as compared to the preceding financial year. That entails a drop of RM7.84 million or 65.35% in our profit after tax to RM4.16 million as compared to RM11.99 million in FYE 30 June 2019. The full details of the Group's performance are made available in the Management Discussion and Analysis section.

CONTINUING OUR MOMENTUM

In October 2019, KTC has accepted the appointment by Abbott Laboratories (M) Sdn Bhd's (“Abbott”) to handle the marketing and promotional activities on behalf of Abbott, and distribute and sell its nutrition products in Sabah and Sarawak, for a period of 26 months effective 1 November 2019.

In January 2020, we have entered into a Licence Agreement with Tong Hing Holdings Sdn Bhd (“THH”) for the grant of right to use of the ‘Gardenia’ trademarks in Sabah and Sarawak. This agreement is for an initial term of 10 years and can be renewed for a further term of 10 years. THH holds the registered proprietorship of the trademarks comprising trade name, logos, registered designs for ‘Gardenia’ in Sabah and Sarawak. This Licence Agreement grants us the right to use the trademarks to operate the business of manufacturing of bread, cakes and ice-cream, transportation, supply and distribution of bread, cakes and ice cream in the territory.

Besides that, KTC has also entered into a Licence Agreement with Gardenia International Ltd (“GIL”) to operate using the ‘Gardenia’ trademark in Indonesia for an initial term of 10 years. GIL is the registered proprietor of the trademarks comprising trade name, logos and registered design for ‘Gardenia’ in Indonesia. This will allow us to expand our portfolio of distribution of third-party brands and products across Indonesia.

In an effort to remain competitive and relevant, we have also inked a distributorship agreement with Petronas Dagangan Berhad (“Petronas”) acting as the master distributor for all its ‘Mesra’ and ‘Mini Mesra’ stores in Petronas stations across Sabah and Sarawak for a period of 3 years from 1 March 2020 to 28 February 2023. This is a further testament to our commitment to being the first-tier provider of market access and coverage of CPG in East Malaysia.

COMMUNITY EMPOWERMENT

As part of our Corporate Social Responsibility, we have delivered fresh breads and buns from our factory to the Polis Diraja Malaysia during the MCO period. The distribution of the breads and buns was not only cover the police offices in Kepyayan district, but it also reached out to the police officers on duty who were stationed at the roadblocks involved in the Operasi Covid-19. We have also distributed our Creamos cream buns to Osimal Foundation, a charitable organisation that helped to distribute the buns to our security frontliners manning the roadblocks as well as poor families whose livelihoods were greatly affected by the MCO.

APPRECIATION

It is my greatest honour to serve KTC and I would like to thank every single one of my board members and colleagues for their tireless contributions and team works. I would also like to express my heartfelt gratitude to Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra, former Chairman of KTC, for his meaningful contribution to the Group and I wish him every success in his future endeavours.

I am confident that KTC will continue to grow and thrive. I would also like to take this opportunity to thank our shareholders and other stakeholders for their continued supports.

Thank you.

Y. Bhg. Tan Sri Datuk Seri Panglima Richard Malanjum
Chairman

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

Our Group principally a provider of market access and coverage of CPG where we are involved in the distribution and warehousing of a range of CPG, namely F&B products, personal care products, household products, over the counter drugs and health supplements, and baby care products covering East Malaysia. Our core business is supported by a total of 14 distribution centers in East Malaysia comprising 8 in Sabah, 4 in Sarawak, and 2 in Brunei. Our other business activity is in the manufacturing of bakery products.

Presently, KTC remains one of the largest CPG distributors in East Malaysia, namely Sabah, Sarawak, Labuan and Brunei. KTC involves more than 35 brand owners with 6,957 sales and distribution points covering over 84 districts in East Malaysia.

In 2020, we have continued our transformation journey started in 2018 by embarking on several initiatives which involved the implementation of 2 inventory control system namely Effective Global Positioning System ("GPS") Guided Coverage model system and Optimise Inventory Productivity mix. Both systems have enabled the company to minimize the returns of inventories and reduce variable costs accordingly. In early this year, prior to the Covid-19 outbreak, we managed to seal new contracts with several agencies, such as Abbott Laboratories (M) Sdn Bhd, Tong Hing Holdings Sdn Bhd and Gardenia International Limited for the exclusive right to use 'Gardenia' trademarks in Sabah, Sarawak and Indonesia, as well as Petronas Dagangan Berhad ("Petronas") as its master distributor for a period of 3 years effective 1 March 2020 to widen the distribution of twelve-selected product categories across the 'Mesra' and 'Mini Mesra' stores in Petronas stations in Sabah and Sarawak.

REVIEW OF FINANCIAL RESULTS

Our financial performance for the FYE 30 June 2020 has been directly impacted by the MCO implemented by the Malaysian Government from 18 March 2020 to 9 June 2020. Notwithstanding that the Group has recorded an increase in revenue by 2.47% to RM640.39 million for the FYE 30 June 2020 as compared with the previous financial year of RM624.98 million, the overall PBT has decreased by RM8.05 million or 54.81% to RM6.63 million.

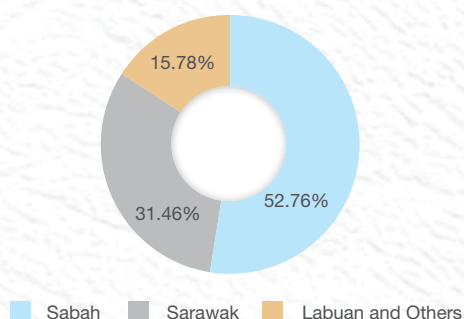
Our Sabah operations remains the largest contributor to the Group's with RM337.84 million or 52.76% of the total revenue of the Group for the FYE 30 June 2020. There was an increase of RM19.51 million or 6.13% as compared to FYE 30 June 2019 which mainly contributed by the higher sales from nutrition and household products as well as sales of bakery products.

MANAGEMENT'S DISCUSSION AND ANALYSIS

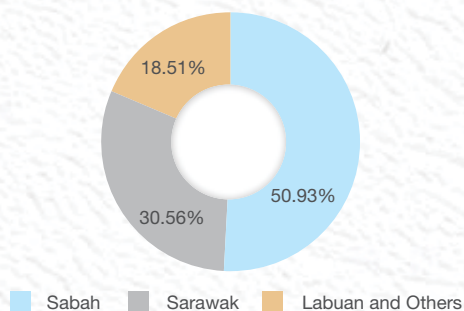
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Meanwhile, our Sarawak operation contributed RM201.48 million or 31.46% of the Group's total revenue, showing an increase of RM10.49 million or 5.49% as compared to the previous financial year. Whilst our Labuan and Brunei operations contributed the remaining 15.78% to the total Group's revenue, ie RM101.07 million. It marked a revenue decline of RM14.59 million or 12.61% as compared to the FYE 30 June 2019.

REVENUE FYE 30 JUNE 2020



REVENUE FYE 30 JUNE 2019



For the year under review, the Group posted a PBT of RM6.63 million, a decrease of RM8.05 million or 54.81% as compared to RM14.68 million in the FYE 30 June 2019. The decrease was mainly attributed by the lower profit margin as a result of offloading unsold inventories. The said decrease was also partly contributed by the inventories written off resulting from the terminated agencies coupled with, among others, impairment loss on trade receivables as well as provision of bad debt written off.

As at FYE 30 June 2020, the Group recorded a net total assets of RM116.85 million, an increase of RM6.13 million or 5.53% as compared to RM110.73 million in the FYE 30 June 2019, resulting in a net assets per share of 17.43 sen.

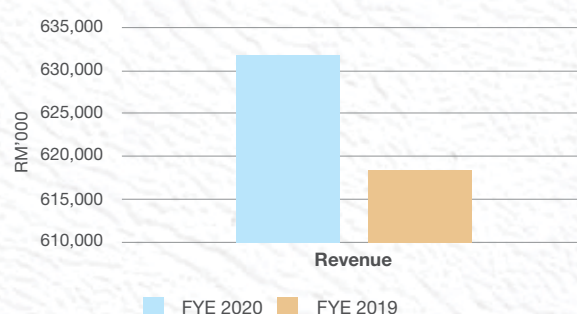
SEGMENTAL BUSINESS REVIEW

Distribution activities

As our mainstay, the distribution of CPG remains the biggest contributor to the Group's total revenue. For the reporting period, the distribution of CPG segment generated a revenue of RM631.64 million. This resulted in an increased of 2.15% or RM13.28 million from RM618.36 million in FYE 30 June 2019.

The increased was contributed by the new distributorships that were secured by the Group during the FYE 30 June 2020 which offer better profit margin and higher inventories turnover. On top of that, the implementation of MCO by the Malaysian Government has also brought about an increased demand from household products, which however, has been counteracted by the decrease in demand for personal care products, cosmetic products and alcoholic beverages.

DISTRIBUTION OF CPG



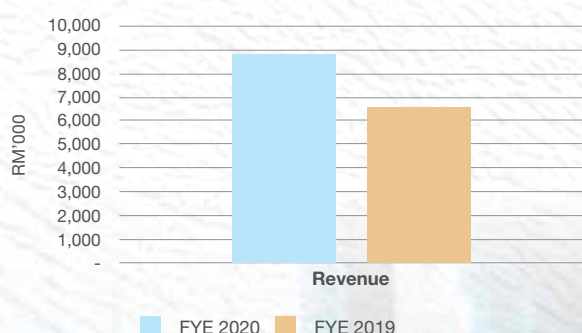
MANAGEMENT'S DISCUSSION AND ANALYSIS

(cont'd)

Manufacturing activities

The Group's manufacturing segment has also experienced an uptrend as it generated RM2.13 million or 32.17% higher revenue amounting to RM8.75 million as compared to RM6.62 million in the last financial year. This were mainly attributed to the additional bakery production lines that have been put into operations since 1 April 2020.

MANUFACTURING OF BAKERY PRODUCTS



FUTURE PROSPECTS

The recent outbreak of Covid-19 pandemic has disrupted the supply chains and contributing to short-term market uncertainties and imposing risks to the businesses. The unprecedented risk on health and safety aspects from Covid-19 pandemic has caused adverse impact on the economic activities in 2020. However, we will continue to be bullish in our performance in the coming year by focusing on organic growth through strategic sign ups with new agencies and brands as well as achieving our ideal operating cost-efficient structure.

DIVIDEND POLICY

Our Group presently does not have a fixed dividend policy or pay-out ratio. However, the Board of Directors will take into consideration a number of factors in determining the dividend pay-out for the Group which would include the availability of adequate distributable reserves and cash flow of the Group, the operating cash flow requirements and financing commitments, any anticipated future operating conditions, as well as the Group's future expansion, capital expenditure and investment plans, any material impact of tax laws and other regulatory requirements.

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

PROFILE OF DIRECTORS

Y. Bhg. Tan Sri Datuk Seri Panglima Richard Malanjum

68 | Male | Malaysian | Independent Non-Executive Chairman

Date of appointment : 9 December 2019

Qualification : He graduated with LLB(Hons)(London) from the University of London in 1975 and proceeded to obtain the Barrister At Law, a professional qualification in law from the Inns of Court School of Law. He was then called to the English Bar in 1976. He is a member and a Master of the Bench with the Gray's Inn London. In 1977 he was admitted as an Advocate and Solicitor of the High Court of Sabah and Sarawak in Sabah and Barrister with the Australian Capital Territory (ACT) Bar in 1991. He is also a trained mediator. Recently he was admitted as an Advocate and Solicitor of the High Court of Sabah and Sarawak in Sarawak.

Working experience & Occupation : He began his legal career in 1975 upon graduation as an administrative officer cum legal officer with the Sabah State Attorney Chambers until 1981. He then left for private practice. He had a successful legal practice until he was appointed in 1992 as a Judicial Commissioner of the High Court of Sabah and Sarawak.

He was elevated as a High Court Judge of the High Court of Sabah and Sarawak in 1993. In 2002, he was elevated to the Court of Appeal and thereafter as the Justice of the Federal Court in 2005. He was then appointed as the Chief Judge of the High Court of Sabah and Sarawak in 2006 until his appointment as the Chief Justice of Malaysia in 2018.

Board Committee belongs : Nil

Other directorship in public companies and listed corporations : Berjaya Land 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 : 2/2

PROFILE OF DIRECTORS

(cont'd)

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

74 | Male | Malaysian | Non-Independent Managing Director

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

PROFILE OF DIRECTORS

(cont'd)

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

66 | Female | Malaysian | Non-Independent Non-Executive Director

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

PROFILE OF DIRECTORS

(cont'd)

Lau Wei Dick @ Dexter Dick Lau

41 | Male | Malaysian | Non-Independent Executive Director

Date of appointment : 17 October 2014

Qualification : He obtained his Bachelor of Law from the University of Kent, Canterbury, United Kingdom in 2001. He completed the Bar Vocational Course at the Inns of Court School of Law, and was subsequently, called to the Bar of England and Wales as a member of Lincoln's Inn of the United Kingdom in 2002.

Working experience & Occupation : He started his career as the General Manager of AMDA Marketing (Sabah) Sdn Bhd (now known as KTC Borneo) in 2003 and was appointed as a director of KTC Borneo and KTC Tawau in the same year. He was promoted to Vice President of the Group in 2009. In 2012, he established Creamos Malaysia, putting our Group on the map of the bakery industry in East Malaysia.

During his tenure with the Group, he has been responsible for managing the day-to-day business operations and planning strategies for the future direction of our Group. He was selected to become a member of the Young Presidents' Organisation since 2010. Currently, he is also a director and shareholder of several private limited companies.

Board Committee belongs : Nil

Other directorship in public companies and listed corporations : Nil

Family relationship with director/major shareholder : Son of Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing and Y. Bhg. Datin Lim Fook Len @ Lim Su Chin
Nephew of Lim Hui Kiong
Brother of Lindfay Laura Lau

Conflict of interest : Nil

List of convictions for offences within the past 5 years if any : Nil

Number of Board meetings attended : 5/5

PROFILE OF DIRECTORS

(cont'd)

Lim Hui Kiong

63 | Male | Malaysian | Non-Independent Executive Director

Date of appointment : 2 December 2014

Qualification : He completed his high school education in 1979.

Working experience & Occupation : He started his career as a Sales Representative at Kilat Jaya, a company involved in wholesale distribution. He then furthered his O-levels at Tresham College of Further and Higher Education, United Kingdom in 1979. Thereafter in 1981, he joined Diethelm (M) SdnBhd (now known as DKSH Malaysia Sdn Bhd) as a Sales Representative in 1982. In 1983, he left Diethelm (M) SdnBhd and co-founded KTC Tawau with Datuk Lau. He played a key role in growing the company by focusing on providing market access and coverage of CPG products in the east coast of Sabah. He was instrumental in building up the network of suppliers and customers particularly in east coast of Sabah. In 2013, he was appointed as a director in KTC Sarawak. He has since accumulated over 30 years of experience in the wholesale distribution industry.

Currently, he is also a director and shareholder of several private limited companies.

Board Committee belongs : Nil

Other directorship in public companies and listed corporations : Nil

Family relationship with director/major shareholder : Brother in Law of Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing
Brother of Y. Bhg. Datin Lim Fook Len @ Lim Su Chin
Uncle of Lau Wei Dick @ Dexter Dick Lau
Uncle of Lindfay Laura Lau

Conflict of interest : Nil

List of convictions for offences within the past 5 years if any : Nil

Number of Board meetings attended : 5/5

PROFILE OF DIRECTORS

(cont'd)

Phang Sze Fui

48 | Female | Malaysian | Independent Non-Executive Director

Date of appointment : 28 September 2018

Qualification : She obtained her Advanced Diploma in Commerce from Tunku Abdul Rahman College in 1997. In 1998, she obtained her professional accounting qualification from the Association of Chartered Certified Accountants, United Kingdom.

She has been a member of the Malaysian Institute of Accountants, a fellow member of the Association of Chartered Certified Accountants and also an audit committee member of the Institute of Internal Auditors Malaysia.

Working experience & Occupation : She began her professional career at Messrs. Baker Tilly Monteiro Heng in 1997. She was subsequently promoted to Senior Audit Manager, Associate Director and Executive Director of Transaction Reporting Division in 2005, 2007 and 2011 respectively. She left the firm in 2015.

In 2016, she joined Dolphin Application Sdn Bhd (a subsidiary of Dolphin International Berhad, which is listed on the Main Market of Bursa Malaysia Securities Berhad) as Corporate Affairs Director. She left Dolphin Application Sdn Bhd in 2017 to pursue her own business venture, Avia Alliance Sdn Bhd, a business and finance consultancy firm.

During her more than 18 years of experience in audits of small and medium size companies and public listed companies as well as Reporting Accountants for various corporate exercises, she had acquired in-depth knowledge in auditing, accounting, taxation, Companies Act, Listing Requirements of Bursa Malaysia Securities Berhad and the Securities Commission guidelines.

She is currently involves in corporate exercises and handling special local and overseas projects as well as providing financial related services.

Board Committee belongs : Chairperson of Audit and Risk Management Committee
Member of Nomination Committee
Member of Remuneration Committee

Other directorship in public companies and listed corporations : Mestron Holdings Berhad
SDS Group Berhad

Family relationship with director/major shareholder : Nil

Conflict of interest : Nil

List of convictions for offences within the past 5 years if any : Nil

Number of Board meetings attended : 5/5

PROFILE OF DIRECTORS

(cont'd)

Wong Wen Miin

62 | Female | Malaysian | Independent Non-Executive Director

Date of appointment : 26 October 2018

Qualification : She earned her Masters in Economics from University of Malaya in 2006 and in 2011, graduated from the National Institute of Public Administrative (INTAN) Malaysia under the Advanced Leadership Management Programme.

Working experience & Occupation : She began her career in 1983 with the Ministry of Works where she was responsible for the budgeting, coordination, and management of public roads, government buildings and water projects in Sarawak, Sabah and Labuan. In 1988, she left the Ministry of Works and joined the Ministry of Finance Malaysia. During her tenure there, she was involved in the preparation of loan agreements, facilitation of multilateral loan agreements between the Malaysian government and international organisations, consolidation of financial laws into the Financial Services Act and Islamic Financial Services Act with Bank Negara Malaysia as well as the establishment of standard operating procedures for terms and conditions in the granting of house loans to civil servants.

In 2017, she left the Ministry of Finance as the Deputy Under Secretary (Investment Evaluation Sector) of the Strategic Investment Division. She then joined the Prime Minister's Department soon after as the Deputy Director General (Special Project) of the Public Private Partnership Unit. Here, she contributed in the fast-tracking the conclusion of a high priority Public-Private Partnership contract negotiations together with relevant government ministries/agencies/company. She then retired in 2018 as a senior superscale government officer.

Board Committee belongs : Chairperson of Remuneration Committee
Member of Audit and Risk Management Committee
Member of Nomination Committee

Other directorship in public companies and listed corporations : Ecobuilt Holdings Berhad (formerly known as M-Mode Berhad)

Family relationship with director/major shareholder : Nil

Conflict of interest : Nil

List of convictions for offences within the past 5 years if any : Nil

Number of Board meetings attended : 4/5

PROFILE OF DIRECTORS

(cont'd)

Y. Bhg. Dato' Mohd Ibrahim Bin Mohd Nor

61 | Male | Malaysian | Independent Non-Executive Director

Date of appointment	: 3 December 2018
Qualification	: He earned his Masters in Business Administration from Drake University, Iowa, USA and Degree in Mathematics from Knox College, Illinois, USA.
Working experience & Occupation	: Since 2004, he is the Chairman of Blu Inc Holdings Sdn. Bhd., the largest magazine publications group in Malaysia which publishes in English, Malay and Chinese. He is the Chairman of Second Wind Sdn Bhd, a software solutions provider since 2008. He is also Director of Ikram Education Sdn. Bhd. and Sphere Exhibits Malaysia Sdn. Bhd. since 2012 and 2013 respectively. On 1 July 2014, he became a Director of Kumpulan Ikram Sabah Sdn. Bhd. and was appointed as Deputy Chairman of Rajawali Aerospace Sdn. Bhd. in August 2017. In September 2018, he was also appointed as the Chairman and Director of Protasco Development Sdn. Bhd.
Board Committee belongs	: Chairman of Nomination Committee Member of Audit and Risk Management Committee
Other directorship in public companies and listed corporations	: Titijaya Land 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

PROFILE OF DIRECTORS

(cont'd)

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

38 | Female | Malaysian | Non-Independent Non-Executive Director

Date of appointment : 7 August 2018

Qualification : She obtained Master in Ophthalmology from University of Malaya in 2017. In 2006, she obtained bachelor's in medicine, Surgery and Arts of Obstetrics. She was awarded Honors in Bachelor in Medical Science from University College Dublin (Ireland) in 2004.

Working experience & Occupation : She began her career as medical and surgical internship in Waterford Regional Hospital, Ireland in 2006. Thereafter, she returned to Kota Kinabalu, Sabah, Malaysia and joined Sabah Women and Children Hospital and specialises in Obstetric and Gynaecology in 2009. In 2014, she joined Klinik Kesihatan Penampang for General Practice. In the same year, she joined University Malaya Medical Centre, Kuala Lumpur, Malaysia and specialise in Ophthalmology.

Subsequently, she continues to specialise in Ophthalmology and she joined Shah Alam Hospital, Kuala Lumpur, Malaysia in 2016. In the same year, she left and returned to Kota Kinabalu, Sabah, Malaysia and joined Queen Elizabeth Hospital.

Board Committee belongs : Nil

Other directorship in public companies and listed corporations : Nil

Family relationship with director/major shareholder : Daughter of Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing
 Daughter of Y. Bhg. Datin Lim Fook Len @ Lim Su Chin
 Sister of Lau Wei Dick @ Dexter Dick Lau
 Niece of Lim Hui Kiong

Conflict of interest : Nil

List of convictions for offences within the past 5 years if any : Nil

Number of Board meetings attended : 3/5

PROFILE OF KEY MANAGEMENT PERSONNEL

Shin Kok Leong

Age	: 50
Gender	: Male
Nationality	: Malaysian
Date of appointment	: 21 October 2019
Designation	: Chief Financial Officer
Qualification	: He obtained the Professional Accounting Qualification from Association of Chartered and Certified Accountants (ACCA) in 2008.
Working experience and occupation	: He began his career in professional accounting practice as an audit assistant with audit and consultancy firm, E.S Lim & Co. In 1996, he left Professional accounting practice and join Commercial sector, a well-known Chinese Newspaper - Nanayang Siang Pau which is a member of Hong Leong Group and thereafter intragroup promotion to another Hong Leong Group division - Hong Leong Industrial. During his tenure, He was responsible for all accounting, budget, forecast, tax and reporting function as well as shipping and logistic function of the company. In 2004, He joined a Multinational US Group Emerson Network Power as Commercial Manager and responsible for the overall company accounting, reporting, logistic, business review function and setting up Finance Shared Services Centre in the Philippines. He further his career with AirAsia group in 2011 and involve in merger & acquisition of AirAsia Philippines, implementation of Shared Service Centre and the disposal aircraft leasing business of AirAsia 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

SUSTAINABILITY STATEMENT

1. INTRODUCTION

1.1 INTRODUCTION

Kim Teck Cheong Consolidated Berhad (“KTC”) and its group of companies (“KTC Group” or “the Group”) is committed towards creating long-term sustainable value for all stakeholders. In line with such aspirations, the Group has dedicated efforts in creating awareness on sustainability development amongst employees and embedded such philosophy into the Group’s corporate culture. In the journey towards sustainable value creation, the Group continuously identify various initiatives in supporting the Group’s sustainability aspirations whilst ensuring adequate considerations are placed on responding to the economic, environmental and social risks and opportunities arising.

This Sustainability Statement (“Sustainability Statement”) sets out KTC’s approach towards sustainable development and management of economic, environmental and social risks and opportunities, after considering the impact of its business endeavours on the economic, environmental and social facets the Group interacts with.

1.2 SCOPE

This statement covers the reporting period from 1 July 2019 to 30 June 2020. This statement covers information on material sustainable development activities as well as the management of risks and opportunities that impacts the economic, environment and social aspects of KTC businesses.

1.3 GOVERNANCE STRUCTURE

KTC Group have always conducted its business activities ethically and in compliance with prevailing laws and regulations. In doing so, the Group’s actions reflect accountability and social responsibility whilst ensuring the Group’s initiatives continue to drive sustainable development by creating value through the identification, evaluation, monitoring and managing risks and opportunities across the Economic, Environmental and Social (“EES”) areas.

As there is no “one size fits all” approach, the Board of Directors (“the Board”) of KTC adopts a sustainability governance approach that is fit for the Group’s purpose considering amongst others, its culture, needs, sustainability-related risks and opportunities and level of maturity of its sustainability intellect and readiness.

For the purpose of supporting the Board in implementation of sustainability-related strategies, the Board has empowered Management to drives, monitors the implementing of sustainability-related strategies, measures and actions towards achieving KTC’s sustainability goals as approved by the Board. The Management is also responsible for identifying, evaluating, monitoring and managing EES risks and opportunities and ensuring all material sustainability matters are being considered and managed by the KTC Group through its business operations including stakeholder engagement and materiality assessment.

The preparation of sustainability disclosures for approval by the Board that is required by laws and regulations and sustainability reporting also come under the responsibility of the Management. The Management is headed by the Managing Director and assisted by the Executive Director and members of senior management.

SUSTAINABILITY STATEMENT

(cont'd)

2. MATERIALITY ASSESSMENT PROCESS

2.1 OBJECTIVES

Objectives of the materiality assessment process is to allow KTC to optimise the Group's identification of material sustainability matters with a view to enhance the Group's strategic planning, implementation and business decision-making and to enable stakeholders to make better informed decisions.

The Board considers it appropriate in this regard to limit the scope of materiality assessment and by extension the sustainability disclosure to the active companies within the Group. As the Group endeavours to enhance socioeconomic benefits and create a positive social impact on the immediate communities surrounding its operations in Sabah and Sarawak, the geographical boundary of the Group's materiality assessment is confined within East Malaysia only. The scope within which materiality applies as far as operations are concerned is limited to manufacturing, warehousing and distribution of third-party consumer packaged goods.

2.2 STAKEHOLDER ENGAGEMENT

With the objective of identifying and prioritising material sustainability matters, KTC engages with different stakeholder groups as such interactions are crucial in identifying, prioritising and addressing material sustainability matters. Engagements are carried out on regular basis with various stakeholders as they are integral to the business development and commitment of the Group to sustainability. The table below sets out the various types of stakeholder engagements as well as the areas of interest identified together with the appropriate responses to address such interests arising:

Stakeholder	Platforms of Engagement	Frequency	Areas of Interest	Forum of Response
Investors and Shareholders	- Corporate website - Annual General Meeting ("AGM") - Bursa Malaysia announcement - Financial and other reports - Press conferences and media releases	Annually/ Quarterly/ As Appropriate	- Business performance - Business directions - Prospect and strategies - Return of Investment - Business continuity - Business risks - Shares Liquidity	- Quarterly reporting and regular audit - Financial performance results - Bursa announcements - Press conferences and media releases - Annual reports - Annual General Meeting
Customers	- Corporate website - Email, phone call - Formal and informal meetings	Ongoing	- Quality of product - Late delivery - Product defects - Product prices and value of products	- Quality management system - Competitive pricing - Re-engage with customers and avoid repetitive mistakes
Suppliers	- Performance review meetings - Audits and site visits - Policies	Occasionally/ Periodically	- Procurement process, payment terms and practices - Business conduct, integrity and ethics	- Constant and regular communications - Process improvement - Engage and share concerns with relevant parties

SUSTAINABILITY STATEMENT

(cont'd)

2. MATERIALITY ASSESSMENT PROCESS *cont'd*

2.2 STAKEHOLDER ENGAGEMENT *cont'd*

Stakeholder	Platforms of Engagement	Frequency	Areas of Interest	Forum of Response
Community	- Corporate website and social media - Community engagement events and activities - Charitable activities and programme - Environmental events and activities	Occasionally	- Financial support and aid - Social responsibility - Environmental awareness and education - Lifestyle support - Business opportunity - Employment support - Livelihood support	- Festive celebrations - Financial assistance and donation - Corporate Social Responsibility (“CSR”) events and programmes with community - Job opportunity
Government and Regulators	- Corporate website, social media - Meetings, briefings - Formal events - Plant visits - Periodical monitoring & reporting	Ad-hoc	- Regulations, governance and compliance to law, requirements and standards - Accuracy, transparency and disclosure	- Reporting and communications - Monitoring of compliance (e.g. legal checklist)
Employee	- Training - Formal and informal meetings, briefing and assembly - Written policies and procedures - Events and activities	Ongoing	- Career development - Compensation, welfare and benefits - Employment equality - Working environment - Safety - Job performance evaluation/assessment - Ethics, disciplinary and misconducts	- Internal and external training - Staff welfare meetings - Employee activities and events - Performance management system - Whistleblowing channel
Board	- AGM - Board Meeting - Financial and other reports	Annually/ Quarterly	- Business performance - Business directions - Prospect and strategies - Return of Investment - Business continuity - Business risks - Shares Liquidity	- Quarterly reporting and regular audit - Financial performance results - Annual reports - AGM

Based on the interest indication as well as feedback received from KTC’s stakeholder groups during the engagement process, the Group identifies and prioritises issues and matters which are most relevant to each of the stakeholder groups. Each stakeholder group is assessed by the Management based on their influence on the achievement of KTC Group’s strategic objectives and their impact on the Group’s businesses and operations. With reference to the Sustainability Reporting Guide issued by Bursa Malaysia Securities Berhad (“Bursa Malaysia”) and in the context of KTC Group, the prioritised sustainability matters that have been identified are provided overleaf.

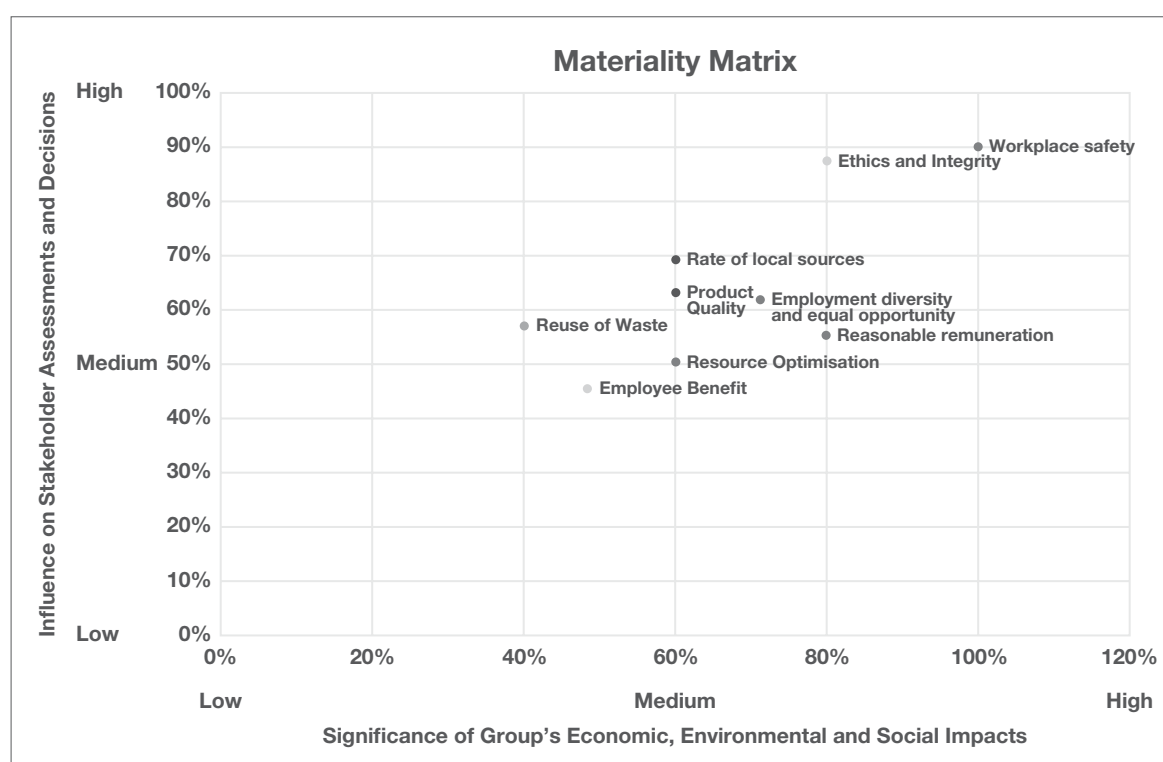
SUSTAINABILITY STATEMENT

(cont'd)

2. MATERIALITY ASSESSMENT PROCESS *cont'd*

2.3 PRIORITISATION OF SUSTAINABILITY MATTERS (MATERIALITY ASSESSMENT)

KTC Group's businesses come under the Consumer-Packaged Goods ("CPG") Industry. Sustainability matters are considered material if they materially impact KTC's EES sustainability areas or significantly influence the assessments and decisions of stakeholders. Pursuant to the stakeholders' engagement as mentioned above, a materiality assessment has been undertaken to identify and prioritise sustainability matters affecting KTC sustainability aspirations. The material sustainability matters affecting KTC are illustrated in the diagram below:



Accordingly, the areas of focus of KTC Group's sustainability initiatives should revolve around the matters identified above.

The activities undertaken in respect of such initiatives/ matters are set out in the section overleaf:

SUSTAINABILITY STATEMENT

(cont'd)

3. SUSTAINABILITY ACTIVITIES

3.1 ECONOMIC

3.1.1 Product Quality

KTC's mission is to become an integrated and refocused business, successful and sustainable with stronger client relationships. The need to ensure that our products and services remained aligned and ahead of customers' expectations is paramount, and most importantly our focus is on product quality.

KTC is committed in its efforts to provide quality assurance as below:

MeSTI Certification	Halal Certification
Food Safety is a key responsibility of the food industry and MeSTI is the minimum Food Safety Assurance Programme that ensures adequate quality control over the processing operations of food manufacturing premises. This is a system of organised practices that is documented and provides the assurance that consumption of any specific type of food will not be harmful to the consumer.	KTC commenced manufacturing of bakery products in 2014 and holds a Halal certification under Creamos (Malaysia) Sdn Bhd ("CMSB"). CMSB sold its products in Kota Kinabalu and Sandakan, and its products are available at various outlets, including hypermarkets, supermarkets, sundry shops, convenience stores, petrol kiosks, Chinese medical halls and school canteen.
MeSTI certificate is granted to Creamos (Malaysia) Sdn Bhd ("CMSB") with effect from 19 August 2019 by Ministry of Health Malaysia ("MoH").	Through halal certification, CMSB has undertaken the responsibility to ensure and preserve the halal integrity of products by ensuring a controlled quality management system through the supply chain. In addition, CMSB also ensures the Company consistently complies with the standards and requirements set by the authority.
Through MeSTI certification, CMSB is ushered into the development and implementation of the Food Safety Assurance Programme. CMSB has undertaken the responsibility to provide assurance to customers in terms of CMSB's food safety and hygiene practices as well as the handling and preparing of food items.	

Subsequent to the provision of rights for the use of Gardenia trademark ("the exercise") in January 2020, Gardenia Bakeries (East Malaysia) Sdn Bhd ("GBSB"), a wholly owned subsidiaries of KTC, has secured access to the relevant Gardenia recipes and is now responsible for the manufacturing, marketing, distributions, sales and further development of the Gardenia brand in East Malaysia and Indonesia. Thereafter, GBSB has applied for MeSTI and Halal certification as part of KTC commitment towards product quality and safety.

3.1.2 Rate of Local Sources

As a corporate citizen of the East Malaysia or the Borneo Island, KTC aims to stand tall and strong with the local community fabric. KTC prides itself in the support of local businesses and society.

Procurement

As at 30 June 2020, KTC has a total of 80 local vendors registered with the Group and its subsidiaries and KTC has continued to ensure 95% of its vendors are locally sourced.

Vendors	FY2019	FY2020
Local	77	80
Non-local	3	4
Percentage (Local/Non-local)	96%/4%	95%/5%

Source: Vendor Listing as at financial year ended ("FY") 30 June 2019 and 30 June 2020.

SUSTAINABILITY STATEMENT

(cont'd)

3. SUSTAINABILITY ACTIVITIES *cont'd*

3.1 ECONOMIC *cont'd*

3.1.2 Rate of Local Sources *cont'd*

Employment

As at 30 June 2020, there are total 626 Malaysian personnel and 19 Non-Malaysian personnel employed under KTC. The 19 Non-Malaysian personnel are newly engaged by the Group in FYE 2020 and they are employed under GBSB, which became part of the Group after the exercise in January 2020.

KTC Group continued to engage local employees with approximately 97% of its employees are locally employed in FY2020.

Employees	Malaysian	Non-Malaysian
Total Number of Employee	626	19
Percentage (%)	97%	3%

Source: Employee Listing as at FY 30 June 2019 and FY 30 June 2020 (Group basis)

3.1.3 Ethics and Integrity

Anti-Bribery and Corruption

KTC is cognisant of the importance of continuously maintaining good governance and is dedicated to conduct its business in accordance with the highest standards of integrity, responsibility and accountability. Pursuant to these ethical standards, KTC has adopted a stand of zero tolerance towards all forms of corruption, especially in respect of bribery, malpractice and illegal acts.

Following the above-mentioned ethical standards, the Group is committed to uphold anti-corruption policy that promulgates principles and standards on anti-corruption as well as maintenance of business documentation and financial records for reasons of accountability and transparency. All members of the Board, staff and third parties are required to exercise the highest standard of integrity and accountability in discharging their duties and to ensure that the Group's business activities are conducted in compliance with applicable legal and regulatory requirements.

Furthermore, the Board and Management of KTC have engaged an anti-corruption framework which is in line with the Guidelines on Adequate Procedures as promoted by the Prime Minister's Department of Malaysia pursuant to subsection (5) of Section 17A of Malaysian Anti-Corruption Commission Act 2009 ("MACC Act 2009"), as provided in section 4 of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 ("MACC Amendment Act 2018"). The provision of section 17A under MACC Act 2009 establishes the principle of a criminal liability (corporate liability) for the corrupt practices of its employees and/ or any person(s) associated with the organisation in cases where such corrupt practices are carried out for the organisation's benefit or advantage.

The underlying objectives of this framework are to assist KTC in preventing the occurrence of corrupt practices in business activities, especially in the deterrence of corruption, bribery, malpractices and illegal activities that may arise in its daily operations.

Whistleblowing

The Group has put in place a Whistleblowing Policy and Procedure to provide an avenue for stakeholders to report or disclose through established channels, concerns about any improper conduct or act of corruption in a confidential manner that protects the whistle-blower from any risk or reprisals.

All whistle-blowers are assured of protection in respect of their identity in accordance with the Whistleblower Protection Act 2010 is in force.

SUSTAINABILITY STATEMENT

(cont'd)

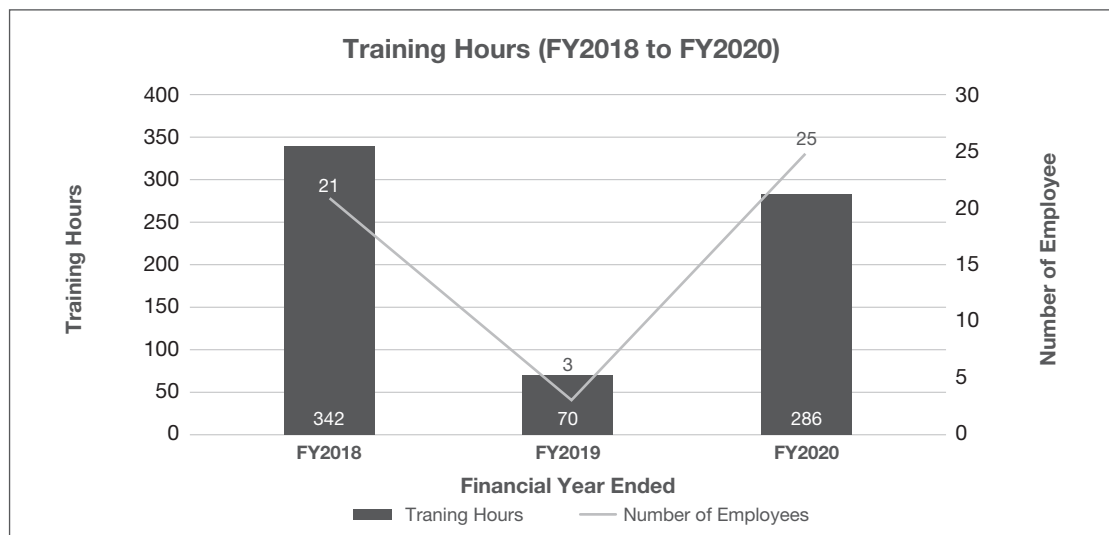
3. SUSTAINABILITY ACTIVITIES *cont'd*

3.2 SOCIAL

3.2.1 Occupational Safety and Health ("OSH")

Occupational safety and health remains as a top priority to KTC. Various programmes and initiatives were instituted to ensure employees and public safety as a priority. Amongst the principal initiatives undertaken by Management is the constant training and the retention of relevant logistic personnel.

As at 30 June 2020, there are total 286 training hours provided to 25 employees by the Group. KTC Group has provided an average of 233 hours of training on occupational safety and health topics to employees over the past three financial years.



Source: Training Listing related to OSH for the period from 30 June 2018 to 30 June 2020.

KTC is committed towards preventing any recurrence of accidents/incidents and aims to keep the number of accidents or incidents to zero (0). There were no Lost Time Incident ("LTI") recorded in the financial year ended 30 June 2020.

SUSTAINABILITY STATEMENT

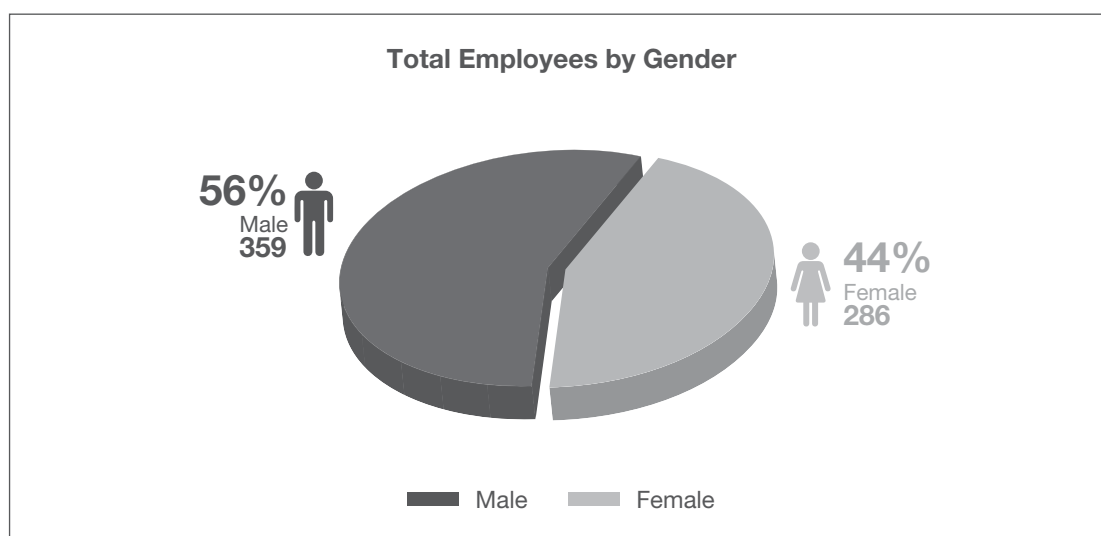
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3. SUSTAINABILITY ACTIVITIES *cont'd*

3.2 SOCIAL *cont'd*

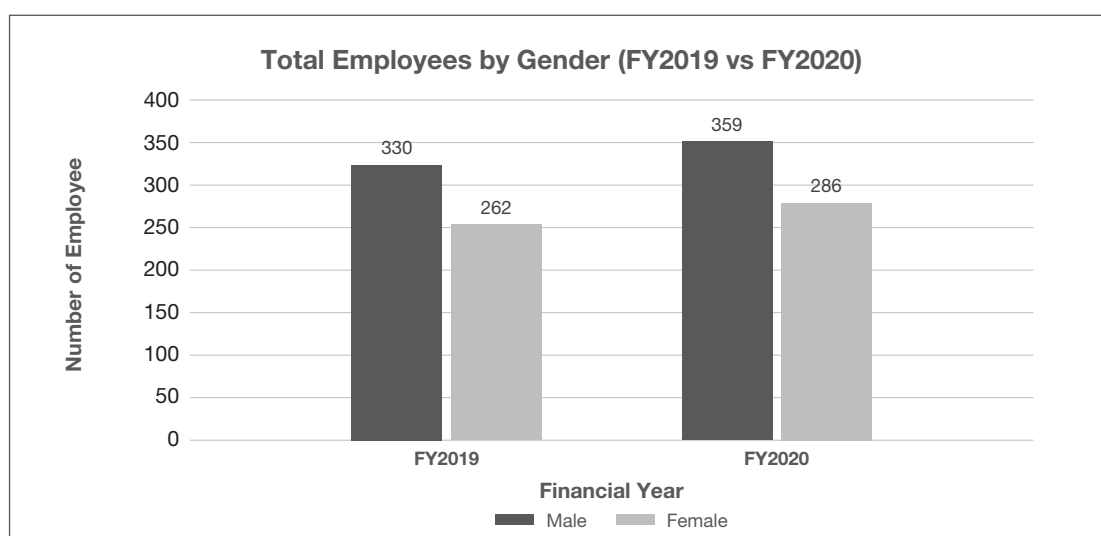
3.2.2 Employment Diversity and Equal Opportunity

Backbone of success in any organisation lies in the human capital factor of the organisation. Organisation aiming for sustainable success will have to first manage their human capital. This is one of KTC's strongest convictions.



As at 30 June 2020, KTC's workforce has 56% (359 employees) of its total full-time employees are males while 44% (286 employees) are females.

The total number of employees has increase from 592 employees to 645 employees in the financial year ended 30 June 2020. However, the gender diversity ratio remains 56:44 for both financial years ended 30 June 2019 and 2020.



Source: Employee Listing as at FY30 June 2019 and FY30 June 2020 (Group basis).

SUSTAINABILITY STATEMENT

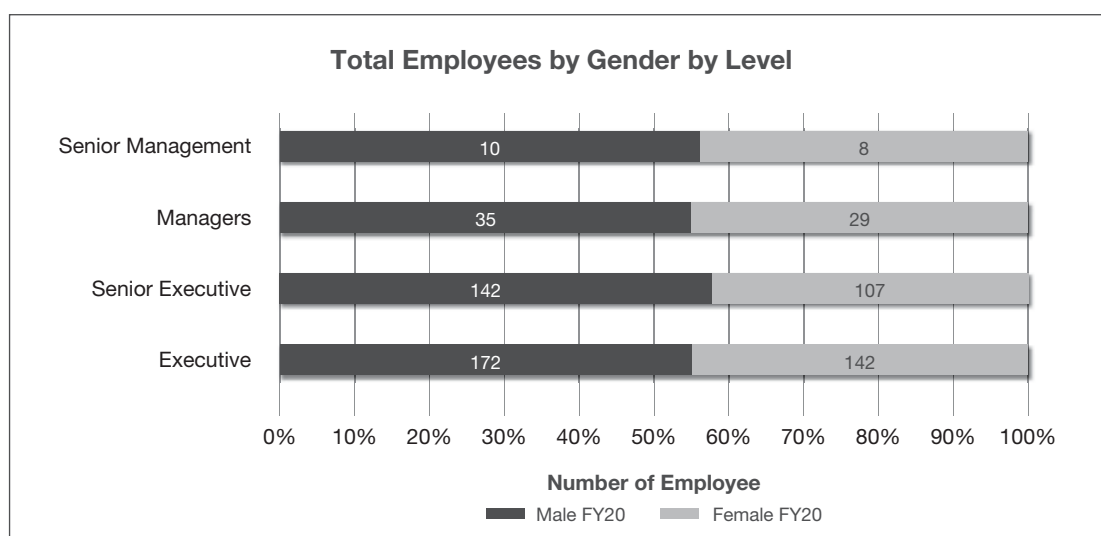
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3. SUSTAINABILITY ACTIVITIES *cont'd*

3.2 SOCIAL *cont'd*

3.2.2 Employment Diversity and Equal Opportunity *cont'd*

KTC aims to provide equal opportunity to both genders who are pursuing their careers at the Management level. Pursuant to the recommendations by MCCG2017 for large companies to maintain at least 30% of females on the Board, KTC takes aim to groom more capable females employees to take up higher positions with the Management.



Source: Employee Listing as at FY30 June 2020 (Group basis).

As at 30 June 2020, KTC workforce diversity showed 56% (10 employees) of employees at the Senior Management level are males and whilst 44% (8 employees) of employees at Senior Management level are females. As for employee mix at the Executives, Senior Executive and managerial levels, KTC recorded an employee diversity ratio of 55:45 in terms of male to female ratio.

In addition, when comparing the level of workforce for both male and female employees, an increase of 9% is experienced as at 30 June 2020 when comparing the workforce of males and females to that as at 30 June 2019. Such increases demonstrated KTC's strong commitment towards promoting a diverse workforce:

Employee by Level	Female			Male		
	FY2019	FY2020	%	FY2019	FY2020	%
Executive	131	142	108%	152	172	113%
Senior Executive	104	107	103%	140	142	101%
Managers	21	29	138%	32	35	109%
Senior Management	6	8	133%	6	10	167%
TOTAL	262	286	109%	330	359	109%

Source: Employee Listing as at FY 30 June 2019 and FY 30 June 2020 (Group basis).

SUSTAINABILITY STATEMENT

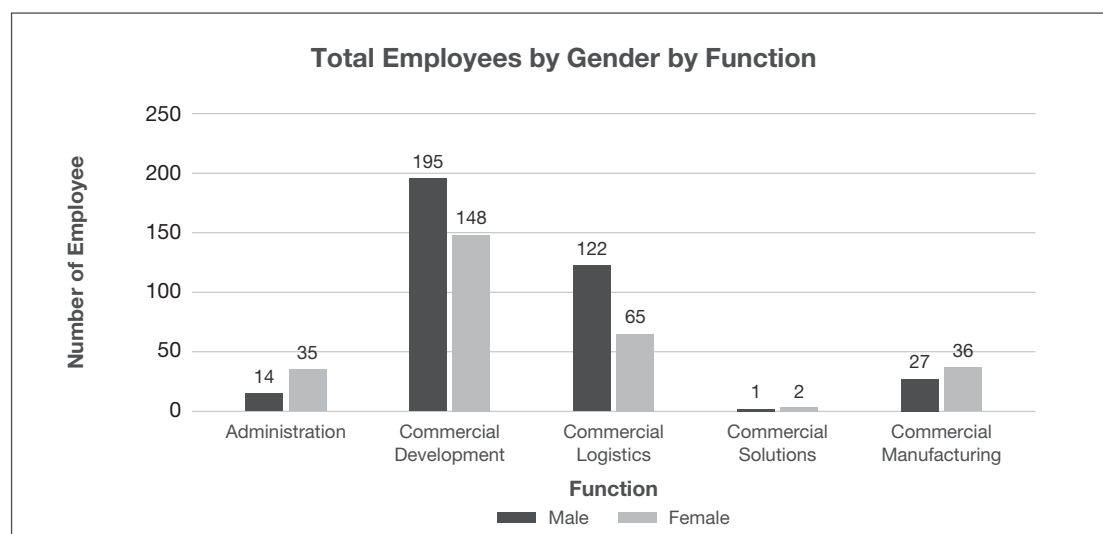
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3. SUSTAINABILITY ACTIVITIES *cont'd*

3.2 SOCIAL *cont'd*

3.2.2 Employment Diversity and Equal Opportunity *cont'd*

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



Source: Employee Listing as at FY30 June 2020 (Group basis).

As at 30 June 2020, the number of female employee composition in the Administration Department (71%), Commercial Solutions Department (67%) and Commercial Manufacturing Department (57%) recorded a higher percentage of female employees than male employees. In addition, female employees under the Commercial Manufacturing Department have increased by 57% ie from 23 to 36 employees as at 30 June 2020:

Employee by Level	Female			Male		
	FY2019	FY2020	%	FY2019	FY2020	%
Administration	34	35	103%	13	14	108%
Commercial Development	150	148	99%	166	195	117%
Commercial Logistics	53	65	123%	112	122	109%
Commercial Solutions	2	2	100%	0	1	-
Commercial Manufacturing	23	36	157%	39	27	69%
TOTAL	262	286	109%	330	359	109%

Source: Employee Listing as at FY 30 June 2019 and 30 June 2020 (Group basis).

No discrimination based on gender, ethnicity, religion or sexuality was exercised. By 2025, all policies of KTC Group will be gender neutral, unless otherwise prescribed by law. KTC Group will work towards a higher gender balance and diversity.

3.2.3 Reasonable Remuneration

KTC remunerates its employees in accordance with the minimum wage labour law and a standard wage is applied on both genders at entry level. In addition, KTC awards its employees based on their merit and talent without any discrimination on gender.

SUSTAINABILITY STATEMENT

(cont'd)

3. SUSTAINABILITY ACTIVITIES *cont'd*

3.2 SOCIAL *cont'd*

3.2.3 Reasonable Remuneration *cont'd*

KTC Group is committed to provide equal employment opportunities to all employees. Consequently, wage equality and same standard benefits are provided to employees regardless of gender throughout the Company.

3.2.4 Employee Benefits

In protecting employees at work, Group Personal Accident Insurance Policy is undertaken for all employees in order to provide adequate coverage for accidental death and disablement as well as to defray costs of hospitalisation and treatment for critical illnesses.

KTC strives to foster a culture of work-life balance. The Group recognises that the availability of paid parental leave benefits has great benefits to family development. Our parental leave benefits for both male and female employees are provided in accordance with the prevailing labour regulations, comprising three (3) days of paid paternity leave and sixty (60) days paid maternity leave respectively.

3.3 ENVIRONMENT

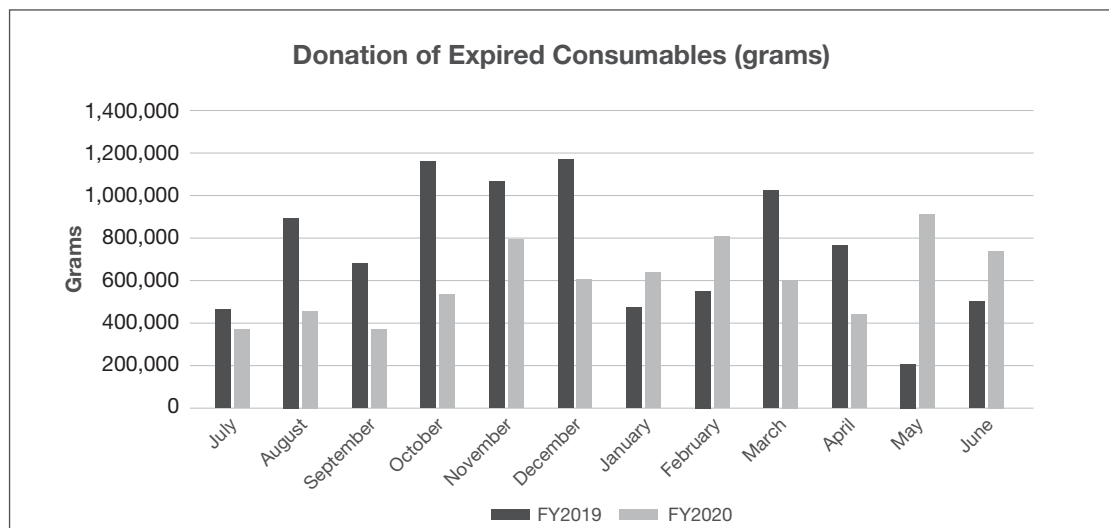
3.3.1 Reuse of Waste

Donation of Expired Consumables

As an organisation based in CPG sector, KTC Group deals with the distribution of massive amounts of expired consumables. KTC Group is working with the appointed agencies to get these products delivered out to animal farms as donations.

As at 30 June 2020, the total donation of expired consumables to animal farms is 7,312kgs. The total donation of expired consumables has reduced by 19% in comparison with the financial year ended 30 June 2019, which recorded a total donation of 8,986kgs.

The reduction was mainly due to KTC Management's efforts in better monitoring over inventory levels, in order to minimise the volume of expired consumables. From the waste generation perspective, KTC Group has managed to lower the expired consumables volume in the current year when compare to the previous financial year.



Source: Expired Consumables Listing as at 30 June 2019 and 30 June 2020.

SUSTAINABILITY STATEMENT

(cont'd)

3. SUSTAINABILITY ACTIVITIES *cont'd*

3.3 ENVIRONMENT *cont'd*

3.3.2 Resource Optimisation

Electricity and Water usage

KTC continuously strive to ensure energy and resources are managed in an effective and efficient manner. KTC continuously work on controlling the greenhouse emissions in our daily business operations.

TOTAL	FY2018	FY2019	FY2020
Revenue (RM)	459,221,016	624,976,482	640,389,609
Electricity (kWh)	1,863,951	3,235,470	1,824,069
Water (m3)	10,116	9,340	11,236
Electricity (kWh) per Revenue (RM)	0.0041	0.0052	0.0028
Water (m3) per Revenue (RM)	0.000022	0.000015	0.000018

Our continuous effort in reducing electricity consumption has brought us positive results in the current financial year. The electricity consumption across the Group has reduced from 3,235,470 kWh to 1,824,069 kWh (approximately 77%) while electricity usage per revenue generated has decreased from 0.0052 to 0.0028 indicating more efficient use of electricity.

Water consumption across the Group, on the contrary, has increased from 9,340 m3 to 11,236 m3 (approximately 17%), mainly due to an increase in manufacturing activity of bakery products. Water usage per revenue generated for FY 2020 has improved when compared to FY2018, but slightly decline when compared to FY2019. Moving forward, KTC will continue to undertake enhanced efforts in resource optimisation.

Replacement of Liquefied Petroleum Gas ("LPG") by Natural Gas

Liquefied Petroleum Gas ("LPG") is being regularly used in the production process of our bakery division. Approximately 85,950kgs of LPG were ordered from vendor for production usage by Creamos (Malaysia) Sdn Bhd during the current financial year.

As part of the Group's efforts to minimise the negative impact on the environment and to raise awareness on the importance of energy conservation, KTC Group's Management has initiated the plan to replace the use of LPG with natural gas, which is a higher quality, more efficient and economical energy source.

KTC has approached Sabah Energy Corporation Sdn Bhd ("SECSB") for the replacement of LPG to natural gas. Based on the preliminary studies and information provided by SECSB, few advantages of using natural gas are noted, especially positive impact the environment as follows:

- Natural gas releases the least amount of carbon dioxide whilst maintaining equivalent energy released when compared to LPG.
- Natural gas produces very low emissions of ash on combustion. This minimizes contamination of end-products which preserving quality production standards.
- When the entire cycle of producing, processing, transporting and consuming energy is considered, natural gas is proven to be highly fuel-efficient.

SUSTAINABILITY STATEMENT

(cont'd)

4. KEY PERFORMANCE INDICATOR ("KPI")

As part of our sustainability efforts, below are the benchmarks to be created/enacted in order to enable us to follow a certain set of guidelines:

Indicator	Content	Unit of Measurement	Related Goal
Economic			
Product Quality	Number of complaints received from customers	Number	Non-specific
Rate of Local Origins	Rate of local sources/origins - among vendors - among employees	%	Non-specific
Social			
Reasonable Remuneration System	Entry income level/Rate of workers who earn a minimum wage and breakdown by gender/Difference between female and male remuneration and bonuses	%	Non-specific
Employment Diversity and Equal Opportunity	Number of employees by gender	%	Non-specific
Incident and Accident at Workplace	Number of incidents and accidents at workplace	Number	Non-specific
Environment			
Waste Management	Waste prevention activities, Rate of waste recycle/reuse, Breakdown by type of waste	%	Non-specific
Resource Optimisation	Electricity usage, Water usage	Number	Non-specific

CONCLUSION

The above initiatives are the demonstration of our commitment towards sustainability and also for the betterment of the economy, environment and social aspects of the community we operate in. The journey towards attaining sustainable growth and long-term profitability is a continuous one and the principles on sustainability have been ingrained into the Group's culture, value system and way of doing business.

CORPORATE SUSTAINABILITY REPORT

KTC believes in playing a key role in contributing towards the economic growth and well-being of the community. As a company with high corporate social responsibility, KTC continuously focus on creating value in the lives of the community.

Roti 1Malaysia Charity Programme

As part of KTC's corporate social responsibility, the group has participated in the Roti 1Malaysia Charity Programme since Year 2015. This programme aimed to reach out to as many underprivileged communities from multiple ethnic groups, including orphanages, old folks' homes, poor indigenous communities as well as refugee camps.

Donation of bread to PDRM and RELA



The Movement Control Order ("MCO") is a cordon sanitaire implemented as a preventive measure by the federal government of Malaysia in response to the COVID-19 pandemic in the country on 18 March 2020. During the MCO, the Royal Malaysia Police ("PDRM") conducted roadblocks operations along key points across the country, to monitor travellers and to enforce stay home notice under the order.

As an appreciation of the efforts and contributions made by the Royal Malaysia Police ("PDRM"), KTC as represented by its Independent Non-Executive Chairman, Y. Bhg. Tan Sri Richard Malanjum, and its Executive Director, Mr Dexter Lau, have donated 10,000 loaves of bread to the nation's frontlines in support of the roadblock operations throughout the country.

In addition, KTC has also donated 5,000 loaves of bread during the MCO period to the Malaysian Volunteer Corps Department ("RELA"), which is a paramilitary civil volunteer corporation formed by the Malaysian government in ensuring the nation's peace and the people's well-being are preserved the nation.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

Board Charter and Board Committees

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

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

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

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

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

Company Secretary

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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

I. Board Responsibilities *cont'd*

Company Secretary *cont'd*

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

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

Information and support for Directors

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

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

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

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

Code of Conduct and Ethics

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

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

Whistle-blowing Policy

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

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

Anti-Corruption Policies and Procedures

The Board had established the Anti-Corruption Policies and Procedures as guided by the Malaysian Anti-Corruption Commission Act 2009 and advocates similar principles and standards of the Group's business management and standards. The said Policies and Procedures is made available on the Company's website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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

II. BOARD COMPOSITION

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

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

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

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

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

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

Diversity on Board and Senior Management

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

The Board is of the view that the existing composition of the Board enables effective oversight, delegation of responsibilities and productive discussions amongst members of the Board.

Gender Diversity

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

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

Nomination Committee

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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

II. BOARD COMPOSITION *cont'd*

Nomination Committee *cont'd*

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

Name of Directors	Designation	No. of Meetings Attended
Y. Bhg. Dato' Mohd Ibrahim Bin Mohd Nor	Chairman	1/1
Ms. Phang Sze Fui	Member	1/1
Madam Wong Wen Miin	Member	1/1

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

- Assessed the performance of the Board, Board Committees and individual Director, including the term of office and performance of the Audit and Risk Management Committee and each of its members;
- Assessed the independence of all three (3) Independent Directors;
- Reviewed the performance of retiring Directors and recommended them to the Board for re-election at the forthcoming AGM;
- Reviewed the size of the Board against the size of the Group and the complexity of the business to assess the impact of the number upon its effectiveness;
- Ensure all Directors receive appropriate continuous training programmes;
- Assessed the appointment of new director; and
- Conducted exist interview for the outgoing Chief Financial Officer.

Evaluation of Board, Board Committees and Individual Directors

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

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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

II. BOARD COMPOSITION *cont'd*

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

During the financial year, all the Directors had participated the briefing conducted by the Company Secretary and Auditors on the new developments and various training programs. Particulars of the seminar and courses attended are as follows:

Name of Directors	Date	Seminar/Conference/Workshop
Y. Bhg. Tan Sri Datuk Seri Panglima Richard Malanjum	March 2020	Mandatory Accreditation Programme for Directors of Public Listed Companies
Ms. Phang Sze Fui	August 2019	Effectiveness of Risk Management
	September 2019	Share Buy-Back – Linking Listing Requirements, Companies Act 2016, Insider Trading Laws and Code on Take-Overs & Merger 2016
	October 2019	Evaluating Effective Internal Audit Function – AC's Guide on how to
	December 2019	Key Disclosure Obligations of a Listed Company
	April 2020	Leveraging on Tax Measures to Maximise Cash Flow
Y. Bhg. Dato' Mohd Ibrahim Bin Mohd Nor	April 2020	COVID-19: In the Eyes of CFOs
	August 2019	Effectiveness of Risk Management
	September 2019	Business Foresight Forum 2019
	October 2019	Evaluating Effective Internal Audit Function – AC's Guide on how to

III. REMUNERATION

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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

III. REMUNERATION *cont'd*

Remuneration Committee

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

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

Name of Directors	Designation	No. of Meetings Attended
Madam Wong Wen Miin	Chairperson	1/1
Y. Bhg. Datuk Lau Kok Sing @ Lau Kok Sing	Member	1/1
Ms. Phang Sze Fui	Member	1/1

The responsibilities of Remuneration Committee are as follows:

- Reviewed and assessed the performance and the remuneration package of the Executive Directors and key Senior Management;
- Reviewed and assessed the Directors' fees and benefits payable for the financial year ended 2019;
- Reviewed and updated its Term of Reference;
- Reviewed the Board Remuneration Policy; and
- Provide clarification to shareholders during general meetings on matters pertaining to remuneration of directors and senior management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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

III. REMUNERATION *cont'd*

Remuneration of Directors

Pursuant to the respective service contracts with the Company and its subsidiaries, the details of individual Directors' remuneration are as follows:-

Group and Company Level

Name of Directors	Fees/ Salaries and Other Emoluments (RM'000)	Bonus (RM'000)	EPF, Socso and EIS (RM'000)	Benefits in Kind (RM'000)	Total (RM'000)
Non-Executive Directors					
Y. Bhg. Tan Sri Datuk Seri Panglima Richard Malanjum (Appointed on 9 December 2019)	29	-	-	-	29
Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra (Resigned on 9 December 2019)	24	-	-	-	24
Y. Bhg. Datin Lim Fook Len @ Lim Su Chin	50	-	-	-	50
Ms. Phang Sze Fui	63	-	-	-	63
Madam Wong Wen Miin	53	-	-	-	53
Y. Bhg. Dato' Mohd Ibrahim Bin Mohd Nor	53	-	-	-	53
Executive Directors					
Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing	1,117	-	1	-	1,118
Mr. Lau Wei Dick @ Dexter Dick Lau	826	-	78	-	904
Mr. Lim Hui Kiong	273	-	8	-	281

Remuneration of Senior Management

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

Range of Remuneration	Number of Senior Management
RM200,001 to RM250,000	1

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit and Risk Management Committee

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

Name of Directors	Designation
Ms. Phang Sze Fui	Chairperson
Madam Wong Wen Miin	Member
Y. Bhg. Dato' Mohd Ibrahim Bin Mohd Nor	Member

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

Oversight of External Auditors

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

The Audit and Risk Management Committee reviews the independence, performance and remuneration of the External Auditors before recommending them to the shareholders for re-appointment in the AGM on an annual basis. The External Auditors would provide written assurance to the Board in respect of its independence to act as the External Auditors of the Group. The Audit and Risk Management Committee would convene a private session with the External Auditors and Internal Auditors without the presence of the Executive Directors and Management. During the financial year ended 30 June 2020, the Audit and Risk Management Committee had conducted private sessions with the External Auditors without the presence of the Executive Directors and Management.

Details of the audit and non-audit fees paid/payable for the financial year ended 30 June 2020 are as follows:

	Group (RM)	Company (RM)
Statutory audit fees paid/payable	233,011	35,000
Non-audit fees paid/payable	31,000	31,000

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

II. Risk Management and Internal Control Framework

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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

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

Internal Audit function

The Board has established an Internal Audit function and appointed RESOLVE IR SDN BHD as the Outsourced Internal Auditor. Functionally, the Internal Auditor reports to the Audit and Risk Management Committee directly and RESOLVE IR SDN BHD is responsible for conducting periodic reviews and appraisals of the effectiveness of the governance, risk management and internal control processes within the Group.

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

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

I. Communication with Stakeholders

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

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

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

Integrated Reporting

The Company would consider adopting integrated reporting based on globally recognised framework in the near future.

II. Conduct of General Meetings

Notice of general meeting

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

Attendance of directors at general meetings

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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

II. Conduct of General Meetings *cont'd*

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

Voting

The Company conducts a poll voting on each resolution tabled during the general meetings to support shareholders participation. The Company currently conducts a manual poll voting instead of electronic poll voting. With the poll voting, each shareholder present in person or represented by proxy at the general meeting will be entitled to vote on a one-share, one-vote basis. Furthermore, at least one (1) scrutineer will be appointed to validate the votes cast at the General Meeting who must not be an officer of the Company or its related corporation, and must be independent to the person undertaking the polling process.

COMPLIANCE STATEMENT

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

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board of Directors dated 20 October 2020.

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

AUDIT AND RISK COMMITTEE REPORT

The Board is pleased to present the report on the Audit and Risk Management Committee (“ARMC”) of the Board for the financial year ended 30 June 2020. The ARMC was established on 3 December 2014 by the Board to assist the Directors to carry out their responsibilities. The ARMC is guided by its Terms of Reference as approved by the Board. The ARMC a combined Audit Committee supports and assumes the oversight function in governance, risk management and internal control hence Risk Management Committee was established. In carrying out their duties, the ARMC updated the Board on the issues and concerns discussed during their meetings including those raised by the auditors and where appropriate, made the necessary recommendations to the Board and shall continue to do so from time to time. The ARMC had private meetings with the External Auditors and Internal Auditors respectively. The ARMC had deliberated at length the Audit Review Memorandum and Internal Audit Reports presented by the External Auditors and Internal Auditors respectively as part of the ongoing process to strengthen the internal control system and financial reporting framework. The Company Secretary acts as the secretary to the ARMC and circulates the minutes of the Audit Committee Meetings to all members of the Audit Committee. The Chairman of the ARMC presents the Committee’s findings after their deliberation to the Board. The ARMC would also update the progress and status of recommendations of the internal audit findings to the Board on quarterly basis.

MEMBERSHIP AND MEETINGS

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

Name of the Committee Members	Designation	No. of Meetings Attended
Ms. Phang Sze Fui	Chairperson	5/5
Madam Wong Wen Miin	Member	4/5
Y. Bhg. Dato’ Mohd Ibrahim Bin Mohd Nor	Member	5/5

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

The ARMC held two private meeting with the External Auditors in 2020 without the presence of the Management. At these meetings, the ARMC enquired about Management’s co-operation with the external auditors, their sharing of information and the competencies and adequacy of resources in the financial reporting functions.

The ARMC Chairperson also permitted the External Auditors to contact ARMC at any time that they became aware of incidents or matters in the course of their audits or reviews that needed the attention ARMC or the Board. No such contacts were made during FYE 2020.

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

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

(cont'd)

SUMMARY OF ACTIVITIES

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

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

Risk Management and Internal Control

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

External Audit

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

Financial Results

- Reviewed the quarterly and annual financial statements of the Company and Group, including announcements, and recommended them to the Board for approval.
- Reviewed the quarterly unaudited financial results of the Company for FYE 2020 together with the Group Chief Financial Officer ("CFO"), focusing particularly on significant changes to accounting policies and practices, significant or unusual events, compliance with accounting standards and other legal requirements prior to recommending the same to the Board for approval and release to Bursa Securities.

Related Party Transactions

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

Others

- Review the quality of the internal audit function.
- Reviewed the Incident Reports by the CFO on a quarterly basis.

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

(cont'd)

INTERNAL AUDIT FUNCTION

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

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

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

The Internal Audit Function is outsourced to an independent professional Internal Audit Firm, namely RESOLVE IR SDN BHD. The internal audit firm appointed by the Company is free from any relationship or conflict of interest of activities related to business operations. The Internal Audit methodology used is the International Professional Practices Framework (IPPF) Issued by The Institute of Internal Auditors.

During the FYE 30 June 2020, the following activities were carried out by ex-outsourced internal auditors, namely MAC & ASSOCIATES PTE in discharge of its responsibilities:

- (a) Present the Internal Audit Plan for the year for review and evaluation by the ARMC;
- (b) Reviewed the Setting of Targets/Budgets for Revenue, Collections and Inventory of KTC Sdn Bhd and KTC Distribution;
- (c) Reviewed the Risk Management Framework of the Group; and
- (d) Reviewed the Stocktake Management for KTC Sarawak and KTC Borneo.

Internal audit reports are issued by the internal Auditor contain improvement opportunities, audit findings, Management response and corrective actions in areas with significant risks and internal control deficiencies. Management provides the corrective and preventive actions as well as deadlines to complete the actions. These reports together with follow-up audit reports were tabled to the ARMC for deliberation. Management is required to be present at the ARMC meetings to respond and provide feedback on their progress on business process improvement opportunities identified by Internal Auditor. ARMC had deliberated at length the findings and key risks and have provided the Internal Auditors several areas for coverage in 2020 audit plan both financial and non-financial risk and control areas.

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

For the FYE 30 June 2020, the total internal audit fees incurred for the outsourced internal audit function is RM82,003.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Paragraph 15.26(b) of the ACE Market Listing Requirements (ACE LR) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed issuers, the Board is pleased to present the Statement on Risk Management and Internal Control for the financial year ended 30 June 2020, which outlines the nature and scope of risk management and internal control of the Group during the financial year under review and up to the date of approval of this statement for inclusion in the annual report.

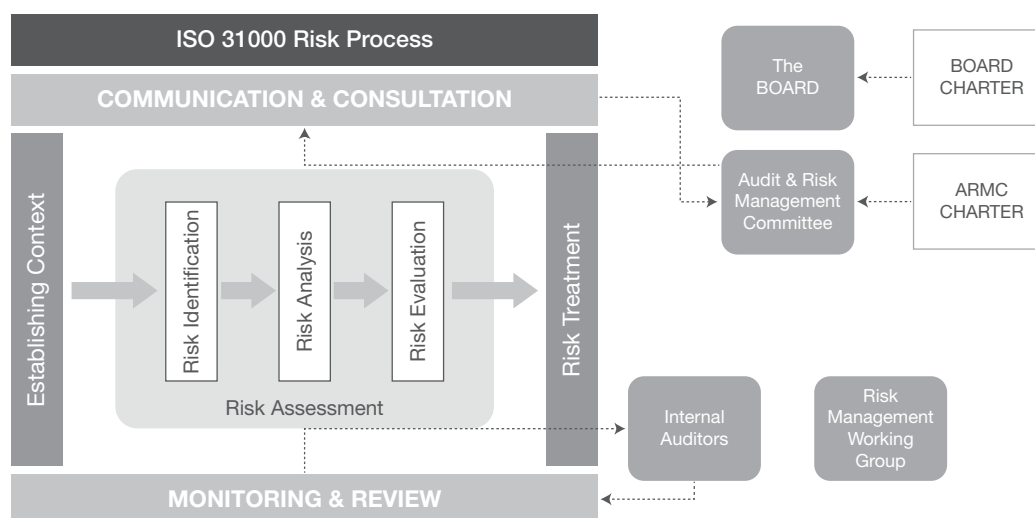
RESPONSIBILITY OF THE BOARD

The Board, in maintaining its commitment towards a sound risk management and effective internal control system, continuously reviews and evaluates the adequacy and integrity of the Group risk management and internal control systems. The Board acknowledges its overall responsibility for maintaining a sound internal control system for the Group to safeguard shareholders’ investment and the Group’s assets, and to discharge their stewardship responsibilities in identifying and reviewing risks and ensuring the implementation of appropriate internal control system to manage these risks.

Notwithstanding the above, the Board recognises that such system has inherent limitations as it is designed to manage and control, rather than eliminate the risks of failure towards achieving the Group’s business objectives. Therefore, such system of internal control can provide only reasonable, but not absolute, assurance against the occurrence of any material misstatement and loss.

RISK MANAGEMENT FRAMEWORK

The Board understands the principal risks of the business that the Group is involved in and accepts that business decisions require balancing of risk and return in order to facilitate the achievement of business objectives. Risk management framework remains an integral part of the Group’s arsenal of risk management tools, especially in the assessment, mitigation and monitoring of inherent and emerging risks to safeguard the interests of the Group. KTC continues to apply the ISO 31000 risk management process that was adopted in the previous year. Within the framework, the Group has an established and structured process for the identification, assessment, communication, monitoring as well as continual review of risks and effectiveness of risk mitigation strategies and controls at the entity and operational levels.



The ARMC and the Board continue to set the strategic direction for risk management, roles and responsibilities as well as risk reporting structures. The periodic reporting to both the ARMC and the Board on risk management activities undertaken by management keeps the ARMC and the Board informed and advised on all aspects of risks of the business.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

RISK MANAGEMENT FRAMEWORK *cont'd*

The risk management process implemented within the Group continues to define, highlight, report and manage the key business and operational risks faced by the businesses within the Group. The risk management process applies to all levels of activity in the Group, with the objective of establishing accountability for both risks and mitigation at the sources of risk.

On a periodic basis, the ARMC and the Board with assistance of the outsourced internal audit service provider, reviews the Group's enterprise risk management framework through independent and objective review on the Group's risk management system and processes with a view to ensure the adequacy and effectiveness of the Group's risk management framework.

INTERNAL CONTROL

The Board recognises the importance of internal control system which is designed to manage and reduce risks that will hinder the Group from achieving its objectives. The internal control system is embedded within the Group's operations and incorporated for effective control and monitoring. The Group's internal audit function ("IAD") is outsourced to a professional services firm to assist the ARMC in discharging its responsibilities effectively.

As part of its broader effort to ensure adequate system of checks and balances are operating as designed, the IAD, which is independent of Management and operations, provides assurance on the adequacy and integrity on the system of internal control of the Group.

Regular audit reviews of the key business areas are conducted in accordance with the internal audit plan approved by the ARMC. Reports on the reviews conducted, incorporating management's responses and actions plans, are tabled to the ARMC on a quarterly basis for their attention. The IAD has a clear line of reporting to the ARMC and the ARMC determines the remit of the IAD.

In addition to the internal audit function, the ARMC also receives report and management letter from the external auditors that primarily focus on financial controls. Where there are incidents of non-compliances, appropriate corrective actions have been taken and relevant procedures have been introduced.

The ARMC reviews any internal control issues identified by the IAD, the external auditors, regulatory authorities and Management, and evaluate the adequacy and effectiveness of the risk management and internal control systems. The ARMC also reviews the internal audit function and quality of internal audits.

ASSURANCE STATEMENT BY KEY MANAGEMENT TEAM

The Board has received assurance from the Executive Director stating that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, for the financial year ended 30 June 2020 and up to the date of this Statement.

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the ACE LR, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with AAPG3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control, issued by the Malaysian Institute of Accountants.

The external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding in all material aspects that the Board has adopted in the review of the adequacy and integrity of internal control of the Group, or is factually inaccurate.

CONCLUSION

The Board is satisfied that the risk management framework and internal control system of the Group are effective and adequate. The Board shall remain committed in ensuring that appropriate initiatives are taken to enhance these systems in order to safeguard stakeholders' interest and the Group's assets.

This Statement on Risk Management and Internal Control is made in accordance with a resolution of the Board of Directors dated 20 October 2020.

ADDITIONAL INFORMATION

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

1. NON-AUDIT FEES

The non-audit fees paid to the external auditors of the Company in relation to the services rendered for the Group for the FYE 30 June 2020 amounted to RM31,000 (2019: RM93,000) for review of interim financial information, review of statement of risk management and internal control and tax compliance services.

2. REVALUATION POLICY ON LANDED PROPERTIES

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

3. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and/or its subsidiaries during the FYE 30 June 2020 or entered into since the end of the previous financial year, which involves the interest of Directors and/or major shareholders.

4. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There were no options, warrants or convertible securities issued during the FYE 30 June 2020.

DIRECTORS' RESPONSIBILITY STATEMENT

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

The Board is satisfied that in preparing the financial statements of the Group and the Company for the financial year ended 30 June 2020, the appropriate accounting policies were used and applied consistently, adopted to include new and revised Malaysian Financial Reporting Standards ("MFRS") where applicable. The Board is also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

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

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

COMPLIANCE STATEMENT

The Board confirms that the Group has made significant effort to maintain high standards of corporate governance throughout the year under review. The Board acknowledges that achieving excellence in corporate governance is a continuous process and is committed to play a pro-active role in steering the Group towards the highest level of integrity and ethical standards. This statement is made in accordance with the resolution of the Board of Directors dated 20 October 2020.

Financial Statements

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DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

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

RESULTS

	Group RM	Company RM
Profit for the financial year attributable to:		
Owners of the Company	3,545,971	1,457,666
Non-controlling interests	609,544	-
	4,155,515	1,457,666

RESERVES AND PROVISIONS

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

DIVIDENDS

No dividend has been paid, declared or proposed since the end of the previous financial year. The Directors do not recommend any dividends for the current financial year ended 30 June 2020.

DIRECTORS

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

Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing
 Y. Bhg. Datin Lim Fook Len @ Lim Su Chin
 Lau Wei Dick @ Dexter Dick Lau
 Lim Hui Kiong
 Lindfay Laura Lau
 Y. Bhg. Dato' Mohd Ibrahim Bin Mohd Nor
 Phang Sze Fui
 Wong Wen Miin
 Y. Bhg. Tan Sri Datuk Seri Panglima Richard Malanjum (Appointed on 9 December 2019)
 Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra (Resigned on 8 December 2019)

DIRECTORS' REPORT

(cont'd)

DIRECTORS *cont'd*

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

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

DIRECTORS' INTERESTS IN SHARES

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

Interest in the Company

Indirect interest:	Number of ordinary shares				
	At 1.7.2019	Bought	Sold	RCPS conversion	At 30.6.2020
Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing *	368,277,000	-	53,000,000	160,012,386 **	475,289,386
Y. Bhg. Datin Lim Fook Len @ Lim Su Chin *	368,277,000	-	53,000,000	160,012,386 **	475,289,386
Lau Wei Dick @ Dexter Dick Lau *	368,277,000	-	53,000,000	160,012,386 **	475,289,386

Indirect interest:	Number of RCPS				
	At 1.7.2019	Bought	Sold	RCPS conversion	At 30.6.2020
Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing *	24,001,858	-	-	24,001,858 **	-
Y. Bhg. Datin Lim Fook Len @ Lim Su Chin *	24,001,858	-	-	24,001,858 **	-
Lau Wei Dick @ Dexter Dick Lau *	24,001,858	-	-	24,001,858 **	-

DIRECTORS' REPORT

(cont'd)

DIRECTORS' INTERESTS IN SHARES *cont'd*

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

	Number of ordinary shares		
	At 1.7.2019	Bought	Sold
			At 30.6.2020
Direct interest:			
Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing	31,426,920	-	-
Lim Hui Kiong	8,109,426	-	-
Indirect interest:			
Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing *	119,690,574	-	-
Lau Wei Dick @ Dexter Dick Lau *	119,690,574	-	-

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

	Number of ordinary shares		
	At 1.7.2019	Bought	Sold
			At 30.6.2020
Direct interest:			
Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing	75,231	-	-
Y. Bhg. Datin Lim Fook Len @ Lim Su Chin	1,036	-	-
Lau Wei Dick @ Dexter Dick Lau	43,056	-	-
Lindfay Laura Lau	185	-	-

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

** Conversion of 24,001,858 RCPS at the conversion price of RM0.15 into 160,012,386 ordinary shares on 22 May 2020.

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as disclosed in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except as disclosed in Note 28 to the financial statements.

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

DIRECTORS' REPORT

(cont'd)

DIRECTORS' REMUNERATION

The remuneration paid to or receivable by the Directors of the Group and Company during the financial year is amounted to RM2,585,876 and RM2,573,876 respectively.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Company maintains a corporate liability insurance for the Directors and officers of the Group throughout the financial year, which provides appropriate insurance cover for the Directors and officers of the Group. The amount of insurance premium paid by the Company for the financial year ended 30 June 2020 is amounted to RM8,142.

There was no indemnity given to or liability insurance effected for the auditors of the Group and of the Company during the financial year.

SUBSIDIARIES

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

ISSUES OF SHARES AND DEBENTURES

During the financial year, the Company issued the following ordinary shares:

Number of shares	Term of issue	Purpose
160,012,386	Ordinary shares	Conversion of RCPS

There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

OTHER STATUTORY INFORMATION

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

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

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

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

DIRECTORS' REPORT

(cont'd)

OTHER STATUTORY INFORMATION *cont'd*

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

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

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 June 2020 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

HOLDING COMPANIES

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

SIGNIFICANT EVENTS

Details of significant events are disclosed in Note 35 to the financial statements.

AUDITORS

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

During the financial year, the total amount of fees paid to or receivable by the auditors as remuneration for their services as auditors of the Group and the Company amounted to RM264,011 and RM66,000 respectively.

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

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

LAU WEI DICK @ DEXTER DICK LAU
Director

Kota Kinabalu

Dated 20 October 2020

STATEMENT BY DIRECTORS

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

In the opinion of the Directors, the accompanying financial statements set out on pages 66 to 136 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020 and of their financial performance and cash flows for the financial year ended on that date.

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

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

LAU WEI DICK @ DEXTER DICK LAU
Director

Kota Kinabalu

Dated 20 October 2020

STATUTORY DECLARATION

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

I, SHIN KOK LEONG, being the Chief Financial Officer primarily responsible for the financial management of KIM TECK CHEONG CONSOLIDATED BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 66 to 136 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed SHIN KOK LEONG)
at Kota Kinabalu in the state of Sabah)
on 20 October 2020)

SHIN KOK LEONG

Before me,

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KIM TECK CHEONG CONSOLIDATED BERHAD
Registration No: 201401037782 (1113927-H) (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of KIM TECK CHEONG CONSOLIDATED BERHAD, which comprise the Statements of Financial Position as at 30 June 2020 of the Group and of the Company, and the Statements of Profit or Loss and Other Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 66 to 136.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the 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' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KIM TECK CHEONG CONSOLIDATED BERHAD
Registration No: 201401037782 (1113927-H) (Incorporated in Malaysia)
(cont'd)

Key Audit Matters *cont'd*

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

Area of focus	How our audit addressed the key audit matter
Company	
Impairment assessment of investments in subsidiary companies	
There is indication of impairment of investments in certain subsidiary companies of the Company, namely, Kim Teck Cheong Sdn. Bhd., Kim Teck Cheong (Sarawak) Sdn. Bhd., Kim Teck Cheong Brands Sdn. Bhd., Kim Teck Cheong Distribution Sdn. Bhd., Gardenia Bakeries (East Malaysia) Sdn. Bhd. (Formerly known as Kim Teck Cheong (Tawau) Sdn. Bhd.) and Kim Teck Cheong Retail Sdn. Bhd. (Formerly known as Popular Trading (Borneo) Corporation Sdn. Bhd.) with a total carrying amount of RM81,158,517. Significant judgement arise in determining the recoverable amount of the said investments in subsidiary companies which is based on value-in-use and involves exercise of significant judgement on the discount rates applied and the assumptions supporting the underlying cash flow projections which include future sales and gross profit margin.	Our audit procedures focus on evaluating the cash flow projections and the Company's projection procedures which included, among others: • comparing the Company's assumptions to externally derived data as well as our assessments in relation to key inputs such as discount rates, forecast sales growth rate and gross profit margin; • testing the mathematical accuracy of the impairment assessment; and • performing stress test and sensitivity analysis around the key inputs that are expected to be most sensitive to the recoverable amount.
Group	
Impairment assessment of goodwill	
As disclosed in Note 16 to the financial statements, the Group has significant balances of goodwill. In accordance with paragraph 10 of MFRS 136 Impairment of Assets, an intangible asset with an indefinite useful life is required to be tested for impairment annually by comparing its carrying amount with its recoverable amount, irrespective of whether there is any indication that it may be impaired. Significant judgements arise over the discount rates applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections, including future sales and net profit margin.	Our audit procedures focus on evaluating the cash flow projections and the Group's projection procedures which included, among others: • comparing and assessing the Group's assumptions in relation to key inputs such as discount rates, forecast annual sales and net profit margin; • testing the mathematical accuracy of the impairment assessment; and • performing stress test and sensitivity analysis around the key inputs that are expected to be most sensitive to the recoverable amount.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KIM TECK CHEONG CONSOLIDATED BERHAD
Registration No: 201401037782 (1113927-H) (Incorporated in Malaysia)
(cont'd)

Key Audit Matters *cont'd*

Area of focus	How our audit addressed the key audit matter
Group	
Existence and valuation of inventories As disclosed in Note 4(j) to the financial statements, the valuation of the Group's inventories is stated at the lower of cost or net realisable value. The assessment of slow moving inventories is mainly based on Directors' estimates. We focused on the existence and valuation of inventories due to the significance of the value of inventories amounted to RM105,923,756 which represents 30% of the Group's total assets and the multiple locations in which the inventories are located.	Our audit procedures included, among others: - attending year end physical inventory count to observe physical existence and condition of the inventories during the count; - reviewing inventories ageing analysis, and assessing the right to return of expired inventories and adequacy of allowance for slow moving inventories by the management; - examining cost of the inventories to invoices issued by the suppliers to ascertain the costing of the inventories are computed based on the accounting policy adopted; and - reviewing selling price of the inventories to invoices issued and evaluating whether the inventories have been written down to their net realisable value for inventory items with net realisable value lower than their cost on selected inventory items.
Valuation of trade receivables As disclosed in Note 19 to the financial statements, the Group has significant trade receivables amounted to RM108,682,380 which represents 31% of the Group's total assets and is exposed to major credit risk arising from its trade receivables. Furthermore, the expected credit losses of trade receivables are subject to significant estimation uncertainties in analysing historical bad debts, customer creditworthiness and customer payment terms.	Our audit procedures included, among others: - understanding of the Group's control over the receivable collection process and significant credit exposures which were deemed to be in default through analysis of ageing reports and other collection reports prepared by the Group; - obtaining confirmation of balances from selected samples of receivables; - reviewing subsequent receipts, customer correspondence, and considering level of activity with the customer and management explanation on recoverability with significant past due balances; - assessing the basis of computation of provision of expected credit losses by the management and reasonableness of the assumptions and input data used; - reviewing the ageing analysis of receivables and testing the reliability thereof; - making enquiries of management regarding the action plans to recover overdue amounts; and - evaluating the reasonableness and adequacy of the allowance for impairment recognised for identified exposures.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KIM TECK CHEONG CONSOLIDATED BERHAD
Registration No: 201401037782 (1113927-H) (Incorporated in Malaysia)
(cont'd)

Key Audit Matters *cont'd*

Area of focus	How our audit addressed the key audit matter
Reliance on management expert	
As highlighted in Note 14 to the financial statements, the leasehold land and buildings of the Group of RM49,196,172 and RM37,923,847 respectively are carried at valuation.	We have obtained the valuation reports prepared by the independent valuer engaged by the Group.
The valuation of these assets is subject to significant judgments and estimation uncertainty, and is determined based on the valuation performed by independent professional valuer using industry/market accepted valuation methodology and approaches.	We have reviewed these reports for appropriateness of the methodology used and the reasonableness of the assumptions used.
Due to the measurement of fair value being inherently judgemental and the carrying value of these assets being material to the Group, we have considered this to be a key audit matter.	We also assessed the competency, capabilities and objectivity of these independent valuers engaged by the Group.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KIM TECK CHEONG CONSOLIDATED BERHAD
Registration No: 201401037782 (1113927-H) (Incorporated in Malaysia)
(cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- (i) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (ii) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- (iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (iv) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (v) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (vi) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KIM TECK CHEONG CONSOLIDATED BERHAD
Registration No: 201401037782 (1113927-H) (Incorporated in Malaysia)
(cont'd)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiary company of which we have not acted as auditors, is disclosed in Note 15 to the financial statements.

OTHER MATTER

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

PKF
AF 0911
CHARTERED ACCOUNTANTS

Kota Kinabalu

Dated 20 October 2020

CHAU MAN KIT
02525/03/2022 J
CHARTERED ACCOUNTANT

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Revenue	5	640,389,609	624,976,482	6,409,317	6,323,758
Cost of sales		(570,241,877)	(549,434,282)	-	-
Gross profit		70,147,732	75,542,200	6,409,317	6,323,758
Other operating income	6	1,855,412	4,623,111	1,567,206	1,223,072
(Impairment charge)/Reversal of impairment on financial assets	7	(1,431,125)	3,768,070	1,608,966	(462,394)
Administrative expenses		(26,393,154)	(21,910,981)	(6,746,671)	(6,065,014)
Selling and distribution expenses		(25,475,323)	(32,573,227)	-	-
Other expenses		(2,727,137)	(3,818,829)	-	-
Profit from operations	10	15,976,405	25,630,344	2,838,818	1,019,422
Finance costs	11	(9,343,099)	(10,950,850)	(827,081)	(1,030,640)
Profit/(Loss) before taxation		6,633,306	14,679,494	2,011,737	(11,218)
Income tax expense	12	(2,477,791)	(2,684,893)	(554,071)	(280,622)
Profit/(Loss) for the financial year		4,155,515	11,994,601	1,457,666	(291,840)
Other comprehensive income					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of a foreign operation		26,806	316,448	-	-
Item that will not be reclassified subsequently to profit or loss:					
Revaluation surplus on leasehold land and buildings, net of deferred tax		2,445,595	18,708,081	-	-
Other comprehensive income for the financial year, net of tax		2,472,401	19,024,529	-	-
Total comprehensive income/(loss) for the financial year		6,627,916	31,019,130	1,457,666	(291,840)
Profit/(Loss) attributable to:					
Owners of the Company		3,545,971	11,162,922	1,457,666	(291,840)
Non-controlling interests		609,544	831,679	-	-
		4,155,515	11,994,601	1,457,666	(291,840)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		6,007,650	30,060,872	1,457,666	(291,840)
Non-controlling interests		620,266	958,258	-	-
		6,627,916	31,019,130	1,457,666	(291,840)
Earnings per share attributable to owners of the Company (sen per share)					
Basic	13	0.67	2.19		
Diluted	13	0.67	1.67		

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2020

		Group		Company	
		2020	2019	2020	2019
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	14	100,411,989	95,682,989	104,985	127,524
Investments in subsidiary companies	15	-	-	90,754,144	89,986,301
Goodwill on consolidation	16	5,981,384	5,981,384	-	-
Intangible asset	17	-	-	-	-
		106,393,373	101,664,373	90,859,129	90,113,825
Current assets					
Inventories	18	105,923,756	111,616,627	-	-
Trade and other receivables	19	134,337,773	142,107,844	36,719,106	16,830,794
Tax recoverable		1,193,315	902,243	15,851	-
Cash and bank balances	20	2,012,451	11,677,450	90,577	654,807
		243,467,295	266,304,164	36,825,534	17,485,601
TOTAL ASSETS		349,860,668	367,968,537	127,684,663	107,599,426
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	21	99,360,373	99,360,373	99,360,373	99,360,373
Other reserves	22	30,249,476	27,787,797	-	-
Reorganisation deficit	23	(47,962,248)	(47,962,248)	-	-
Retained profits/(Accumulated losses)	24	30,760,962	27,686,484	(8,935,335)	(10,393,001)
		112,408,563	106,872,406	90,425,038	88,967,372
Non-controlling interests		4,445,480	3,854,162	-	-
TOTAL EQUITY		116,854,043	110,726,568	90,425,038	88,967,372
Non-current liabilities					
Loans and borrowings	25	21,692,434	19,889,218	-	-
Deferred tax liabilities	26	11,522,432	10,523,830	8,063	-
		33,214,866	30,413,048	8,063	-
Current liabilities					
Loans and borrowings	25	152,879,321	183,997,825	-	-
Trade and other payables	27	46,217,767	41,999,496	37,251,562	18,598,892
Taxation		694,671	831,600	-	33,162
		199,791,759	226,828,921	37,251,562	18,632,054
TOTAL LIABILITIES		233,006,625	257,241,969	37,259,625	18,632,054
TOTAL EQUITY AND LIABILITIES		349,860,668	367,968,537	127,684,663	107,599,426

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Group	Note	Attributable to owners of the Company									
		Non-distributable					Distributable				
		Share capital	Revaluation reserve	Exchange reserve	Reorganisation deficit	Retained profits	Sub-total	Non-controlling interests	Total equity		
		RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Balance at 1 July 2018		99,360,373	9,190,233	(300,386)	(47,962,248)	15,962,529	76,250,501	4,131,937	80,382,438		
Profit for the financial year		-	-	-	-	11,162,922	11,162,922	831,679	11,994,601		
Other comprehensive income											
- Foreign currency translation	22	-	-	189,869	-	-	189,869	126,579	316,448		
- Revaluation surplus on leasehold land and buildings, net of deferred tax	22	-	18,708,081	-	-	-	18,708,081	-	18,708,081		
Total comprehensive income for the financial year		-	18,708,081	189,869	-	11,162,922	30,060,872	958,258	31,019,130		
Increase in stake of a subsidiary	15	-	-	-	-	561,033	561,033	(1,236,033)	(675,000)		
Balance at 30 June 2019		99,360,373	27,898,314	(110,517)	(47,962,248)	27,686,484	106,872,406	3,854,162	110,726,568		
Balance at 1 July 2019		99,360,373	27,898,314	(110,517)	(47,962,248)	27,686,484	106,872,406	3,854,162	110,726,568		
Effect of adoption of MFRS 16	2(c)	-	-	-	-	(471,493)	(471,493)	(28,948)	(500,441)		
Restated balance at 1 July 2019		99,360,373	27,898,314	(110,517)	(47,962,248)	27,214,991	106,400,913	3,825,214	110,226,127		
Profit for the financial year		-	-	-	-	3,545,971	3,545,971	609,544	4,155,515		
Other comprehensive income											
- Foreign currency translation	22	-	-	16,084	-	-	16,084	10,722	26,806		
- Revaluation surplus on leasehold land and buildings, net of deferred tax	22	-	2,445,595	-	-	-	2,445,595	-	2,445,595		
Total comprehensive income for the financial year		-	2,445,595	16,084	-	3,545,971	6,007,650	620,266	6,627,916		
Balance at 30 June 2020		99,360,373	30,343,909	(94,433)	(47,962,248)	30,760,962	112,408,563	4,445,480	116,854,043		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

Company	Share capital RM	Accumulated losses RM	Total equity RM
Balance at 1 July 2018	99,360,373	(10,101,161)	89,259,212
Total comprehensive loss for the financial year	-	(291,840)	(291,840)
Balance at 30 June 2019	99,360,373	(10,393,001)	88,967,372
Total comprehensive income for the financial year	-	1,457,666	1,457,666
Balance at 30 June 2020	99,360,373	(8,935,335)	90,425,038

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

		Group		Company	
		2020	2019	2020	2019
Note		RM	RM	RM	RM
Cash flows from operating activities					
Profit/(Loss) before taxation		6,633,306	14,679,494	2,011,737	(11,218)
Adjustments for:					
Amortisation of intangible asset		-	78,964	-	-
Bad debts written off		243,198	876,026	-	-
Depreciation of property, plant and equipment		6,276,766	4,147,904	47,456	40,746
Deposits written off		-	113,700	-	-
Gain on termination of lease liabilities		(192,198)	-	-	-
Impairment charge/(Reversal of impairment) financial assets		1,431,125	(3,768,070)	(1,608,966)	462,394
Impairment on slow moving inventories		673,626	-	-	-
Interest expenses		9,343,099	10,950,850	827,081	1,030,640
Interest income		(181,737)	(1,369,342)	(1,567,206)	(1,223,072)
Inventories written off		1,284,667	2,538,583	-	-
Loss on disposal of plant and equipment		12,040	-	-	-
Other receivables written off		1,675	-	-	-
Property, plant and equipment written off		1,450	-	-	-
Reversal of bad debts written off		(917)	(282)	-	-
Trade deposits written back		-	(182,460)	-	-
Unrealised loss on foreign exchange		1,109,604	-	-	-
Operating profit/(loss) before working capital changes		26,635,704	28,065,367	(289,898)	299,490
Change in receivables		6,094,990	(15,986,194)	39,805	3,466,134
Change in inventories		3,734,578	(10,490,924)	-	-
Change in payables		(1,322,777)	7,366,366	225,192	506,018
Cash from/(used in) operations		35,142,495	8,954,585	(24,901)	4,271,642
Income tax paid		(3,583,207)	(4,150,109)	(595,021)	(322,070)
Income tax refunded		903,724	1,631,893	-	-
Interest paid		(9,343,099)	(10,950,850)	(827,081)	(1,030,640)
Interest received		181,737	1,369,342	1,567,206	1,223,072
Net cash from/(used in) operating activities		23,301,650	(3,145,139)	120,203	4,142,004
Cash flows from investing activities					
Acquisition of property, plant and equipment*		(1,331,061)	(3,237,737)	(24,917)	(97,046)
Advances to subsidiaries		-	-	(18,136,994)	(3,938,951)
Increase in investment in a subsidiary company	15	-	(675,000)	(950,000)	(675,000)
Proceeds from disposal of property, plant and equipment		183,006	-	-	-
Net cash used in investing activities		(1,148,055)	(3,912,737)	(19,111,911)	(4,710,997)
		22,153,595	(7,057,876)	(18,991,708)	(568,993)

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

		Group		Company	
		2020	2019	2020	2019
Note		RM	RM	RM	RM
Cash flows from financing activities					
Repayments to Directors		(13,451)	(21,523)	-	-
Advances from/(Repayments to) subsidiaries		-	-	13,961,583	(191,224)
Advances from/(Repayments to) immediate holding company		4,465,895	(24,349)	4,465,895	(24,349)
Net payments of lease liabilities		(1,521,675)	-	-	-
Net (payments)/drawdown of bankers' acceptances		(1,168,970)	16,278,801	-	-
Net (payments)/drawdown of term loans		(870,972)	568,957	-	-
Net payments of revolving credit		(14,000,000)	-	-	-
Net payments of hire purchase payables		(1,339,369)	(1,612,497)	-	-
Net drawdown of trust receipts		1,636,703	1,585,301	-	-
Net cash (used in)/from financing activities		(12,811,839)	16,774,690	18,427,478	(215,573)
Net increase/(decrease) in cash and cash equivalents		9,341,756	9,716,814	(564,230)	(784,566)
Effect of exchange rate fluctuations		25,560	340,930	-	-
Cash and cash equivalents at beginning of financial year		(23,185,884)	(33,243,628)	654,807	1,439,373
Cash and cash equivalents at end of financial year	20	(13,818,568)	(23,185,884)	90,577	654,807

Non-cash transactions

* Acquisition of property, plant and equipment

During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM1,824,790 and RM24,917 (2019: RM3,362,601 and RM97,046) of which RM493,729 and RMNil (2019: RM124,864 and RMNil) were acquired by means of hire purchase. Cash payments of RM1,331,061 and RM24,917 (2019: RM3,237,737 and RM97,046) were made to acquire property, plant and equipment.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

Reconciliation of liabilities arising from financing activities

2020 Group	1 July RM	Effect of adoption of MFRS 16 RM	Cash flows RM	Non-cash acquisition RM	Foreign exchange movement RM	30 June RM
Amounts due to Directors	13,451	-	(13,451)	-	-	-
Amount due to immediate holding company	-	-	4,465,895	-	-	4,465,895
Bankers' acceptances	109,589,044	-	(1,168,970)	-	-	108,420,074
Hire purchase payables	3,166,328	-	(1,339,369)	493,729	-	2,320,688
Lease liabilities	-	7,557,746	(1,521,675)	(1,070,165)	-	4,965,906
Revolving credit	18,000,000	-	(14,000,000)	-	-	4,000,000
Term loans	19,146,701	-	(870,972)	-	-	18,275,729
Trust receipts	19,121,636	-	1,636,703	-	-	20,758,339
	169,037,160	7,557,746	(12,811,839)	(576,436)	-	163,206,631

Company

Amounts due to subsidiaries	17,853,453	-	13,961,583	-	-	31,815,036
Amount due to immediate holding company	-	-	4,465,895	-	-	4,465,895
	17,853,453	-	18,427,478	-	-	36,280,931

2019 Group

Amounts due to Directors	34,534	-	(21,523)	-	440	13,451
Amount due to immediate holding company	24,349	-	(24,349)	-	-	-
Bankers' acceptances	93,310,243	-	16,278,801	-	-	109,589,044
Hire purchase payables	4,650,922	-	(1,612,497)	124,864	3,039	3,166,328
Revolving credit	18,000,000	-	-	-	-	18,000,000
Term loans	18,577,744	-	568,957	-	-	19,146,701
Trust receipts	16,954,638	-	1,585,301	-	581,697	19,121,636
	151,552,430	-	16,774,690	124,864	585,176	169,037,160

Company

Amounts due to subsidiaries	18,044,677	-	(191,224)	-	-	17,853,453
Amount due to immediate holding company	24,349	-	(24,349)	-	-	-
	18,069,026	-	(215,573)	-	-	17,853,453

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

1. GENERAL INFORMATION

The Company is a public limited liability company that is domiciled and incorporated in Malaysia, and is listed on the ACE Market of Bursa Malaysia Securities Berhad. The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 15 to the financial statements.

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

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

These financial statements were authorised for issue by the Directors in accordance with a resolution of the Board of Directors dated 20 October 2020.

2. BASIS OF PREPARATION

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

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

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

(a) Adoption of new and revised MFRS

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

The main effect of the adoption of new and revised MFRS is summarised below:

(i) MFRS 16 Leases

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

(cont'd)

2. BASIS OF PREPARATION *cont'd*

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

(i) MFRS 16 Leases *cont'd*

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

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

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

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of MFRS 16. This is disclosed in Note 2(c).

(ii) IC Interpretation 23 Uncertainty over Income Tax Treatments

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

The adoption of the interpretation did not have any financial impact to the financial statements of the Group.

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

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

The adoption of the amendments did not have any financial impact to the financial statements of the Group.

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

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

The adoption of the amendments did not have any financial impact to the financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

2. BASIS OF PREPARATION *cont'd*

(b) Standards issued but not yet effective

Certain new accounting standards and interpretations have been issued but not yet effective for 30 June 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods.

(c) Changes in accounting policies and disclosures

The Group applied MFRS 16 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

The Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019.

The Group has elected to use the modified retrospective transition method and to apply a number of practical expedients as provided in MFRS 16. Under the modified retrospective transition method, the 2019 comparative information was not restated and the cumulative effects of any initial application of MFRS 16 where the Group is a lessee were recognised as an adjustment to the retained profits as at 1 July 2019.

The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 "Leases" and IC Interpretation 4 "Determining whether an Arrangement Contains a Lease".

In applying MFRS 16 for the first time, the Group has applied the following practical expedients permitted by the standard to leases previously classified as operating leases under MFRS 117:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than twelve (12) months as at 1 July 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the ROU asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

2. BASIS OF PREPARATION *cont'd*

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

Impact on the financial statements

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4.64% per annum. The reconciliation between the operating lease commitments disclosed applying MFRS 117 at 30 June 2019 to the lease liabilities recognised at 1 July 2019 is as follows:

	RM
Operating lease commitment disclosed as at 30 June 2019	12,976,208
Discounted using the lessee's incremental borrowing rate at 1 July 2019	(5,418,462)
Lease liability recognised as at 1 July 2019	7,557,746
Of which are:	
Current lease liability	2,591,840
Non-current lease liability	4,965,906
	7,557,746
Lease liabilities as at 1 July 2019	7,557,746
Right-of-use assets as at 1 July 2019 (Note 16)	(7,057,305)
Effect of adoption of MFRS 16 on retained profits as at 1 July 2019	500,441

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

Key sources of estimation uncertainty

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

(i) Income taxes

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

(ii) Depreciation of property, plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

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

Key sources of estimation uncertainty *cont'd*

(ii) Depreciation of property, plant and equipment *cont'd*

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

(iii) Revaluation of leasehold land and buildings

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

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

(iv) Carrying value of investments in subsidiary companies

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

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

(v) Impairment of non-financial assets

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

(vi) Impairment of goodwill

The Group assesses at each reporting date whether there is any impairment of goodwill. For the purpose of assessing impairment, assets (including goodwill) are grouped at the lowest level where there are separately identifiable cash flows (cash-generating units). The management determines the value-in-use of a cash-generating unit for impairment of goodwill purposes based on annual revenue generated during the financial year for significant agencies existing during the acquisition of the subsidiaries that resulted in goodwill arising to the Group using reasonable and supportable inputs about discount rates, forecast annual sales and net profit margin based on past experience, current events and reasonably possible future developments. Cash flows that are projected based on those inputs or assumptions and the discount rate applied in the measurement of value-in-use may have a significant effect on the Group's financial position and results if the actual cash flows are less than the expected.

The carrying amount of the Group's goodwill and key assumptions used to determine the recoverable amount for different cash-generating units, including sensitivity analysis, are disclosed in Note 16.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

(cont'd)

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

Key sources of estimation uncertainty *cont'd*

(vii) Deferred tax assets and liabilities

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

(viii) Allowance for inventories

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

(ix) Impairment of financial assets

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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

(i) Reorganisation

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(a) Basis of consolidation *cont'd*

(ii) Subsidiaries

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

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

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

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

(iii) Business combinations

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

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

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

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

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

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

(iv) Loss of control

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(a) Basis of consolidation *cont'd*

(v) Non-controlling interests

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

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

(vi) Transactions with non-controlling interests

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

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

(vii) Transactions eliminated on consolidation

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

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

(b) Foreign currencies

(i) Functional and presentation currencies

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

(ii) Foreign currency transactions

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(b) Foreign currencies *cont'd*

(ii) Foreign currency transactions *cont'd*

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

(iii) Foreign operations

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

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

(c) Revenue recognition

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Revenue recognition *cont'd*

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

(i) Sale of goods

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

(ii) Revenue from services

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

(iii) Management fee income

Management fee income is recognised when services are rendered.

(iv) Rental income

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

(v) Interest income

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

(d) Employee benefits

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

(i) Short-term employee benefits

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(e) Tax assets and tax liabilities

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

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

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

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

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

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

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

(f) Earnings per share

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(g) Property, plant and equipment

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

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

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

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

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

Depreciation of property, plant and equipment is provided for on a straight-line basis to write off the cost or valuation of each asset to its residual value over the estimated useful life, at the following annual rates:

Right-of-use assets	2 years to 10 years
Leasehold land	16 years to 83 years
Leasehold buildings	45.5 years
Office equipment, furniture and fittings and computers	10% to 20%
Motor vehicles	20%
Plant and machineries	10%
Warehouse equipment	10% to 15%
Renovation	10%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(h) Goodwill

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

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

(i) Intangible asset

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

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

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

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

	Method	Useful lives
Intangible asset	Revenue - based	4 years

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

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

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

(j) Inventories

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(k) Financial instruments

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

(i) Financial assets

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

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

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

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

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

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(k) Financial instruments *cont'd*

(i) Financial assets *cont'd*

Financial assets at fair value through OCI (debt instruments)

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

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

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

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

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

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

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

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

Financial assets at fair value through profit or loss

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(k) Financial instruments *cont'd*

(i) Financial assets *cont'd*

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

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

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

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

Derecognition

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

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

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

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

(ii) Financial liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(k) Financial instruments *cont'd*

(ii) Financial liabilities *cont'd*

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

Financial liabilities at fair value through profit or loss

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

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

Financial liabilities measured at amortised cost

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

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

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

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

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

(l) Impairment

(i) Impairment of financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(l) Impairment *cont'd*

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

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

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

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

The Group and the Company consider a financial asset in default when contractual payments are two (2) years past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Impairment of non-financial assets

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

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

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(m) Equity instruments

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

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

(n) Borrowing costs

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

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

(o) Leases

Policy applicable from 1 July 2019

(i) Classification

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physical distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(o) Leases *cont'd*

Policy applicable from 1 July 2019 *cont'd*

(ii) Recognition and initial measurement

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected to use the recognition exemption that permits entities not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve (12) months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

(iii) Subsequent measurement

As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(o) Leases *cont'd*

Policy applicable from 1 July 2019 *cont'd*

(iii) Subsequent measurement *cont'd*

As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other operating income".

Policy applicable before 1 July 2019

(i) Classification

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

(ii) Finance leases – the Group as lessee

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

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

(iii) Operating leases – the Group as lessee

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

(p) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(q) Provisions

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision will be reversed. Where the effect of the time value of money is material, provisions are discounted using a current per-tax rate that reflects, where appropriate, the risks specific to the liability and the present value of the expenditure expected to be required to settle the obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(r) Contingencies

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

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

(s) Segment reporting

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

(t) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transactions to sell the asset or transfer the liability takes place either:

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(t) Fair value measurement *cont'd*

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

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

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

5. REVENUE

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Revenue from contracts with customers				
Revenue from distribution of consumer packaged goods	631,643,473	618,359,392	-	-
Revenue from manufacturing of bakery products	8,746,136	6,617,090	-	-
	640,389,609	624,976,482	-	-
Revenue from other sources				
Management fee from subsidiaries	-	-	6,409,317	6,323,758
	640,389,609	624,976,482	6,409,317	6,323,758

Disaggregation of revenue

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

5. REVENUE *cont'd*

Disaggregation of revenue *cont'd*

Group	Distribution RM	Manufacturing RM	Total RM
2020			
Primary geographical markets			
Sabah	329,171,724	8,667,975	337,839,699
Sarawak	201,476,058	-	201,476,058
Others	100,995,691	78,161	101,073,852
	631,643,473	8,746,136	640,389,609
Type of goods			
Consumer packaged goods	631,643,473	-	631,643,473
Bakery products	-	8,746,136	8,746,136
	631,643,473	8,746,136	640,389,609
Timing of revenue recognition			
At a point in time	631,643,473	8,746,136	640,389,609
2019			
Primary geographical markets			
Sabah	311,710,894	6,617,090	318,327,984
Sarawak	190,984,411	-	190,984,411
Others	115,664,087	-	115,664,087
	618,359,392	6,617,090	624,976,482
Type of goods			
Consumer packaged goods	618,359,392	-	618,359,392
Bakery products	-	6,617,090	6,617,090
	618,359,392	6,617,090	624,976,482
Timing of revenue recognition			
At a point in time	618,359,392	6,617,090	624,976,482

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

6. OTHER OPERATING INCOME

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Interest income	181,737	1,369,342	1,567,206	1,223,072
Gain on termination of lease liabilities	192,198	-	-	-
Realised gain on foreign exchange	4,579	-	-	-
Rental income				
- motor vehicles	227,491	519,565	-	-
- warehouses and offices	488,166	598,367	-	-
Reversal of bad debts written off	917	282	-	-
Supply chain income	577,181	652,273	-	-
Trade deposits written back	-	182,460	-	-
Miscellaneous income	183,143	1,300,822	-	-
	1,855,412	4,623,111	1,567,206	1,223,072

7. IMPAIRMENT CHARGE/(REVERSAL OF IMPAIRMENT) ON FINANCIAL ASSETS

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Impairment on: (Note 19)				
- trade receivables	1,457,392	366,435	-	-
- other receivables	531,874	787,544	-	-
- amounts due from subsidiaries	-	-	-	713,448
Impairment on investment in subsidiary companies (Note 15)	-	-	182,157	-
Reversal of impairment on: (Note 19)				
- trade receivables	(415,050)	(4,900,377)	-	(251,054)
- other receivables	(143,091)	(21,672)	-	-
- amounts due from subsidiaries	-	-	(1,791,123)	-
	1,431,125	(3,768,070)	(1,608,966)	462,394

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

8. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Salaries, wages, bonuses, allowances and incentives	22,875,549	15,825,636	3,251,383	3,393,299
Defined contribution plan	2,331,773	2,356,545	178,633	230,647
Employees Insurance System contributions	33,267	32,806	978	1,045
Social security contributions	296,177	291,154	9,749	10,575
	25,536,766	18,506,141	3,440,743	3,635,566

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration amounting to RM2,303,083 (2019: RM2,528,988) and RM2,303,083 (2019: RM2,528,988) respectively as further disclosed in Note 9 to the financial statements.

9. DIRECTORS' REMUNERATION

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

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Executive Directors' remuneration: (Note 8 and 28(c))				
- Fee	150,120	150,120	150,120	150,120
- Salary	1,726,400	1,593,200	1,726,400	1,593,200
- Other emoluments	426,563	785,668	426,563	785,668
	2,303,083	2,528,988	2,303,083	2,528,988
Non-executive Directors' remuneration:				
- Fee	272,160	265,500	260,160	253,500
- Other emoluments	10,633	22,079	10,633	22,079
	282,793	287,579	270,793	275,579
Total Directors' remuneration	2,585,876	2,816,567	2,573,876	2,804,567

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

10. PROFIT FROM OPERATIONS

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Other than disclosed in Note 6, 7, 8 and 9, profit from operations is arrived at after charging:				
Amortisation of intangible asset (Note 17)	-	78,964	-	-
Auditors' remuneration				
- Statutory audit				
- current year	233,011	217,125	35,000	35,000
- under provision in prior year	-	47,257	-	48,004
- Other services	31,000	93,000	31,000	93,000
Bad debts written off	243,198	876,026	-	-
Depreciation of property, plant and equipment (Note 14)	6,276,766	4,147,904	47,456	40,746
Deposits written off	-	113,700	-	-
Impairment on slow moving inventories (Note 18)	673,626	-	-	-
Inventories written off	1,284,667	2,538,583	-	-
Loss on disposal of property, plant and equipment	12,040	-	-	-
Loss on foreign exchange				
- realised	701,670	420,412	-	-
- unrealised	1,109,604	-	-	-
Other receivables written off	1,675	-	-	-
Property, plant and equipment written off (Note 14)	1,450	-	-	-
Rental expenses*				
- warehouses and offices	546,797	1,010,268	-	-
- office equipment	90,853	37,397	19,506	26,167

* Expenses relating to short-term lease accounted for applying the recognition exception of MFRS 16 Leases. There are no material expense relating to low value assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

11. FINANCE COSTS

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Interest expenses:				
- Amounts due to subsidiaries	-	-	827,081	1,030,640
- Bank overdrafts	2,076,783	3,528,902	-	-
- Bankers' acceptances	4,349,560	4,358,014	-	-
- Hire purchase	159,745	234,998	-	-
- Lease liabilities	305,649	-	-	-
- Revolving credit	600,243	914,047	-	-
- Term loans	717,733	906,742	-	-
- Trust receipts	1,133,386	1,008,147	-	-
	9,343,099	10,950,850	827,081	1,030,640

12. INCOME TAX EXPENSE

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Current taxation	2,436,715	3,856,073	371,265	293,537
Deferred tax liabilities (Note 26)	226,309	(567,575)	8,063	(8,971)
	2,663,024	3,288,498	379,328	284,566
(Over)/Under provision in prior year				
- Current taxation	(185,233)	(603,605)	174,743	(3,944)
	2,477,791	2,684,893	554,071	280,622

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

12. INCOME TAX EXPENSE *cont'd*

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

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Profit/(Loss) before taxation	6,633,306	14,679,494	2,011,737	(11,218)
Taxation at Malaysian statutory tax rate of 24% (2019: 24%)	1,591,993	3,523,079	482,817	(2,692)
Effect of tax rate in foreign jurisdiction at 18.5% (2019: 18.5%)	20,142	199,943	-	-
Non-tax deductible expenses	830,566	1,518,842	(116,027)	236,036
Effect of deductible temporary differences arising from initial recognition of assets but not recognised as deferred tax assets	220,323	(1,953,366)	12,538	51,222
	2,663,024	3,288,498	379,328	284,566
(Over)/Under provision in prior year				
- Current taxation	(185,233)	(603,605)	174,743	(3,944)
	2,477,791	2,684,893	554,071	280,622

13. EARNINGS PER SHARE

(a) Basic

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

	Group	
	2020	2019
	RM	RM
Profit net of tax attributable to owners of the Company	3,545,971	11,162,922
Weighted average number of ordinary shares in issue	527,374,214	510,277,000

	Group	
	2020	2019
	Sen	Sen
Basic earnings per share	0.67	2.19

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

13. EARNINGS PER SHARE *cont'd*

(b) Diluted

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

	Group	
	2020	2019
	RM	RM
Profit net of tax attributable to owners of the Company	3,545,971	11,162,922
Weighted average number of ordinary shares in issue (basic)	527,374,214	510,277,000
Effect of dilution from:		
- redeemable convertible preference shares ("RCPS")*	-	160,012,386
Weighted average number of ordinary shares in issue (diluted)	527,374,214	670,289,386
Diluted earnings per share	0.67	1.67

* There is no effect of dilution in earnings per share for the financial year ended 30 June 2020 as the RCPS were converted to 160,012,386 ordinary shares on 22 May 2020 as disclosed in Note 21 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

(cont'd)

14. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets	Leasehold land	Leasehold buildings	Office equipment, furniture and fittings and computers	Motor vehicles	Plant and machineries	Warehouse equipment	Renovation	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Group									
2020									
Cost/Valuation									
At 1 July 2019	-	-	-	5,858,958	7,578,397	3,854,802	2,920,572	2,992,511	23,205,240
- At cost	-	49,196,172	37,923,847	-	-	-	-	-	87,120,019
- At valuation	-	49,196,172	37,923,847	5,858,958	7,578,397	3,854,802	2,920,572	2,992,511	110,325,259
Adoption of MFRS 16	10,878,422	-	-	-	-	-	-	-	10,878,422
At 1 July 2019, as restated	10,878,422	49,196,172	37,923,847	5,858,958	7,578,397	3,854,802	2,920,572	2,992,511	121,203,681
Addition	411,681	-	-	397,336	856,807	200,045	282,808	87,794	2,236,471
Disposal	(1,479,762)	-	-	(574,666)	(591,862)	(13,840)	-	(80,476)	(2,740,606)
Written off (Note 10)	-	-	-	(2,800)	(40,146)	-	-	(450)	(43,396)
Reclassification	-	-	-	2,720	-	-	(2,720)	-	-
Exchange differences	-	-	-	1,226	1,373	-	-	331	2,930
At 30 June 2020	9,810,341	49,196,172	37,923,847	5,682,774	7,804,569	4,041,007	3,200,660	2,999,710	120,659,080
Accumulated depreciation									
At 1 July 2019	-	640,929	467,276	3,754,788	5,664,262	1,463,167	1,270,237	1,381,611	14,642,270
Adoption of MFRS 16	3,821,117	-	-	-	-	-	-	-	3,821,117
At 1 July 2019, as restated	3,821,117	640,929	467,276	3,754,788	5,664,262	1,463,167	1,270,237	1,381,611	18,463,387
Charge for the financial year (Note 10)	1,565,629	1,252,774	856,909	539,816	941,546	444,660	386,720	288,712	6,276,766
Written back	(169,114)	-	-	(461,086)	(570,130)	(8,650)	-	(25,932)	(1,234,912)
Written off (Note 10)	-	-	-	(1,524)	(40,146)	-	-	(276)	(41,946)
Reclassification	-	-	-	230	-	-	(230)	-	-
Written back on revaluation	-	(1,893,703)	(1,324,185)	-	-	-	-	-	(3,217,888)
Exchange differences	-	-	-	841	664	-	-	179	1,684
At 30 June 2020	5,217,632	-	-	3,833,065	5,996,196	1,899,177	1,656,727	1,644,294	20,247,091
Net book value									
At cost	4,592,709	-	-	1,849,709	1,808,373	2,141,830	1,543,933	1,355,416	13,291,970
At valuation	-	49,196,172	37,923,847	-	-	-	-	-	87,120,019
At 30 June 2020	4,592,709	49,196,172	37,923,847	1,849,709	1,808,373	2,141,830	1,543,933	1,355,416	100,411,989

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

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

	Office equipment and computers	
	2020	2019
	RM	RM
Company		
Cost		
At 1 July	216,292	119,246
Addition	24,917	97,046
At 30 June	241,209	216,292
Accumulated depreciation		
At 1 July	88,768	48,022
Charge for the financial year (Note 10)	47,456	40,746
At 30 June	136,224	88,768
Net book value		
30 June	104,985	127,524

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

	At cost	Accumulated depreciation	Net book value
	RM	RM	RM
Group			
2020			
Office equipment, furniture and fittings and computers	863,683	(308,353)	555,330
Motor vehicles	6,086,618	(4,772,370)	1,314,248
Plant and machineries	2,817,542	(1,781,683)	1,035,859
Warehouse equipment	745,845	(302,157)	443,688
	10,513,688	(7,164,563)	3,349,125
2019			
Office equipment, furniture and fittings and computers	863,683	(222,301)	641,382
Motor vehicles	5,676,093	(4,196,962)	1,479,131
Plant and machineries	2,817,542	(1,499,929)	1,317,613
Warehouse equipment	745,845	(190,280)	555,565
	10,103,163	(6,109,472)	3,993,691

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

(cont'd)

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

The right-of-use assets relate to the lease of warehouses and offices for a period ranging from two (2) years to ten (10) years.

Certain leasehold land and buildings of the Group with a carrying amount of RM52,400,000 (2019: RM51,615,146) had been pledged to licensed banks for banking facilities granted to the subsidiaries as disclosed in Note 25 to the financial statements.

The leasehold land and buildings of the Group were revalued during the financial year by independent professional valuers using comparison method of valuation.

Had the leasehold land and buildings been carried under the cost model, the carrying amount would have been RM34,629,338 (2019: RM35,915,769).

The title deeds to the leasehold land and buildings with carrying value at RM37,260,000 (2019: RM36,856,741) are yet to be issued by the relevant authorities.

15. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2020	2019
	RM	RM
Unquoted shares, at cost		
At 1 July	89,986,301	89,311,301
Increase in stake of a subsidiary	-	675,000
Increase in investment in a subsidiary	950,000	-
Less: Impairment loss	(182,157)	-
At 30 June	90,754,144	89,986,301

Movement in the impairment account is as follows:

	Company
	RM
At 1 July 2018/30 June 2019	-
Charge for the financial year (Note 7)	182,157
At 30 June 2020	182,157

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

15. INVESTMENTS IN SUBSIDIARY COMPANIES *cont'd*

Details of the subsidiaries are as follows:

Name of subsidiary companies	Country of incorporation	Proportion of ownership interest		Principal activities
		2020 %	2019 %	
Kim Teck Cheong Sdn. Bhd. ("KTC Sdn. Bhd.")	Malaysia	100	100	Distribution of consumer packaged goods
Kim Teck Cheong Brands Sdn. Bhd. ("KTC Brands")	Malaysia	100	100	Dormant
Kim Teck Cheong Distribution Sdn. Bhd. ("KTC Distribution")	Malaysia	100	100	Distribution of consumer packaged goods
Kim Teck Cheong (Sarawak) Sdn. Bhd. ("KTC Sarawak")	Malaysia	100	100	Distribution of consumer packaged goods
Gardenia Bakeries (East Malaysia) Sdn. Bhd. (Formerly known as Kim Teck Cheong (Tawau) Sdn. Bhd.) ("Gardenia")	Malaysia	100	100	Manufacture of bakery products
Kim Teck Cheong (Borneo) Sdn. Bhd. ("KTC Borneo")	Malaysia	100	100	Distribution of consumer packaged goods
Creamos (Malaysia) Sdn. Bhd. ("Creamos")	Malaysia	100	100	Manufacture of bakery products
Kim Teck Cheong Retail Sdn. Bhd. (Formerly known as as Popular Trading (Borneo) Corporation Sdn. Bhd. ("KTC Retail")	Malaysia	100	100	Trading, general agents and distributors
Kim Teck Cheong Shipping Sdn. Bhd. (Formerly known as Kim Teck Transpacific Sdn. Bhd. ("KTC Shipping")	Malaysia	100	100	Warehousing
Kim Teck Cheong Grandtop Sdn. Bhd. ("KTC Grandtop")*	Brunei	60	60	Distribution of consumer packaged goods

* Audited by firm of auditors other than PKF Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

15. INVESTMENTS IN SUBSIDIARY COMPANIES *cont'd*

Increase in stake of a subsidiary

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

Following is a schedule of additional interest acquired in KTC Sarawak:

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

Increase in investment in a subsidiary

On 6 November 2019, KTC Sarawak further increased its issued and paid up share capital to 1,000,000 ordinary shares by way of issuance of 950,000 ordinary shares to the Company by way of capitalisation of balances owing by KTC Sarawak to the Company.

Non-controlling interests in subsidiary

The financial information of the subsidiary of the Group that has non-controlling interests ("NCI") is as follows:

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

Name of subsidiary company	Country of incorporation	Ownership interest	
		2020 %	2019 %
KTC Grandtop	Brunei	40	40

Carrying amount of material NCI:

Name of subsidiary company	2020 RM	2019 RM
KTC Grandtop	4,445,480	3,854,162

Profit allocated to material NCI:

Name of subsidiary companies	2020 RM	2019 RM
KTC Sarawak*	-	258,905
KTC Grandtop	609,544	572,774
	609,544	831,679

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

15. INVESTMENTS IN SUBSIDIARY COMPANIES *cont'd*

Non-controlling interests in subsidiary *cont'd*

The financial information of the subsidiary of the Group that has non-controlling interests ("NCI") is as follows (cont'd):

Total comprehensive income allocated to NCI:

Name of subsidiary companies	2020 RM	2019 RM
KTC Sarawak*	-	258,905
KTC Grandtop	620,266	699,353
	620,266	958,258

* Relates to profit and total comprehensive income allocated to NCI in KTC Sarawak before increase in stake in the said subsidiary on 14 February 2019.

Summarised financial information of material NCI

The summarised financial information (before intra-group elimination) of the subsidiary that has material NCI is as follows:

KTC Grandtop	2020 RM	2019 RM
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Summarised statements of financial position

Non-current assets	2,229,814	574,125
Current assets	54,311,854	49,131,570
Non-current liabilities	(156,748)	(99,892)
Current liabilities	(44,949,181)	(39,157,484)
Net assets	11,435,739	10,448,319

Summarised statements of profit or loss and other comprehensive income

Revenue	84,967,695	87,649,279
Profit for the financial year	1,523,859	1,431,936
Total comprehensive income	1,523,859	1,431,936

Summarised cash flow information

Net cash used in operating activities	(4,054,919)	(2,391,935)
Net cash used in investing activities	(213,419)	(260,214)
Net cash (used in)/from financing activities	(588,405)	1,755,779
Net decrease in cash and cash equivalents	(4,856,743)	(896,370)

Dividends paid to non-controlling interests	-	-
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

16. GOODWILL ON CONSOLIDATION

	Group	
	2020	2019
	RM	RM
Cost		
At 1 July 2018/30 June 2019/30 June 2020	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	
	2020	2019
	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.

The Directors determined the value-in-use as at 30 June 2020 based on annual revenue generated during the financial year ended 30 June 2020 for significant agencies existing during the acquisition of the subsidiaries that resulted in goodwill arising to the Group. Value-in-use for prior year is determined by discounting the future cash flows based on financial budgets approved by Directors covering five (5) financial years.

The key assumptions used for value-in-use calculations are:

	Group	
	2020	2019
Distribution operation		
Sales growth rate	Not applicable	4.90%
Gross profit margin	Not applicable	11% - 18%
Net profit margin	2%	Not applicable
Discount rate	4.50%	5.30%

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

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

Net profit margin - Net profit margin is based on past net profit margin achieved.

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

Sensitivity to change in assumptions

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

17. INTANGIBLE ASSET

	Group	
	2020	2019
	RM	RM
Cost		
At 1 July/30 June	315,856	315,856
Accumulated amortisation		
At 1 July	315,856	236,892
Charge for the financial year (Note 10)	-	78,964
At 30 June	315,856	315,856
Net book value		
At 30 June	-	-

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 KTC Borneo based on its future economic benefits arising from its distributorship as at the date of business combination.

18. INVENTORIES

	Group	
	2020	2019
	RM	RM
Cost		
Trading inventories	105,603,660	111,258,140
Raw materials	795,827	234,011
Packaging materials	197,895	124,476
	106,597,382	111,616,627
Less: Impairment	(673,626)	-
	105,923,756	111,616,627

Movement in the impairment account is as follows:

	Group
	RM
At 1 July 2018/30 June 2019	-
Charge for the financial year (Note 10)	673,626
At 30 June 2020	673,626

The amount of inventories recognised as an expense in cost of sales of the Group was RM578,819,616 (2019: RM573,457,063).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Trade receivables				
- Third parties	111,117,537	118,904,663	-	-
Less: Allowance for impairment				
- Third parties	(2,435,157)	(1,392,815)	-	-
Trade receivables, net	108,682,380	117,511,848	-	-
Other receivables				
Other receivables				
- Amount due from a Director	1,914	-	-	-
- Amounts due from subsidiaries	-	-	39,246,047	21,109,054
- Related party	64,737	64,737	-	-
- Third parties	25,285,337	20,821,997	5,000	5,000
GST refundable	-	2,397,960	-	1,704
Deposits	768,400	836,843	7,800	9,800
Prepayments	711,332	1,262,003	19,429	55,529
	26,831,720	25,383,540	39,278,276	21,181,087
Less: Allowance for impairment				
- Amounts due from subsidiaries	-	-	(2,559,170)	(4,350,293)
- Third parties	(1,176,327)	(787,544)	-	-
	(1,176,327)	(787,544)	(2,559,170)	(4,350,293)
Other receivables, net	25,655,393	24,595,996	36,719,106	16,830,794
Total trade and other receivables	134,337,773	142,107,844	36,719,106	16,830,794

Trade receivables are non-interest bearing and the normal credit terms granted by the Group and the Company are 30 to 90 (2019: 30 to 90) days from date of statement for the month invoice was issued. Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The non-trade amounts due from subsidiaries are unsecured, bear interest at rates ranging from 4.00% to 5.11% (2019: 4.80% to 5.30%) per annum and repayable on demand.

Amounts due from Director and related party are unsecured, interest free and repayable on demand.

Included in other receivables are amounts of RM22,922,975 (2019: RM18,013,983), being incentives and claims receivable from trade suppliers in relation to trade-related activities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

19. TRADE AND OTHER RECEIVABLES *cont'd*

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

Group	Trade receivables RM	Other receivables RM	Total RM
At 1 July 2018	5,926,757	21,672	5,948,429
Charge for the financial year (Note 7)	366,435	787,544	1,153,979
Reversal of impairment during the financial year (Note 7)	(4,900,377)	(21,672)	(4,922,049)
At 30 June 2019	1,392,815	787,544	2,180,359
Charge for the financial year (Note 7)	1,457,392	531,874	1,989,266
Reversal of impairment during the financial year (Note 7)	(415,050)	(143,091)	(558,141)
At 30 June 2020	2,435,157	1,176,327	3,611,484

Company	Trade receivables RM	Other receivables RM	Total RM
At 1 July 2018	251,054	3,636,845	3,887,899
Charge for the financial year (Note 7)	-	713,448	713,448
Reversal of impairment during the financial year (Note 7)	(251,054)	-	(251,054)
At 30 June 2019	-	4,350,293	4,350,293
Reversal of impairment during the financial year (Note 7)	-	(1,791,123)	(1,791,123)
At 30 June 2020	-	2,559,170	2,559,170

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

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash and bank balances	2,012,451	11,677,450	90,577	654,807
Bank overdrafts (Note 25)	(15,831,019)	(34,863,334)	-	-
Cash and cash equivalents	(13,818,568)	(23,185,884)	90,577	654,807

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

21. SHARE CAPITAL

	No. of shares		Group/Company	
	2020	2019	2020 RM	2019 RM
Issued and fully paid:				
Ordinary shares				
At 1 July	510,277,000	510,277,000	75,358,515	75,358,515
Effect of conversion of RCPS	160,012,386	-	24,001,858	-
At 30 June	670,289,386	510,277,000	99,360,373	75,358,515
Redeemable convertible preference shares ("RCPS")				
At 1 July	24,001,858	24,001,858	24,001,858	24,001,858
Effect of conversion of RCPS	(24,001,858)	-	(24,001,858)	-
At 30 June	-	24,001,858	-	24,001,858
	670,289,386	534,278,858	99,360,373	99,360,373

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

The salient terms of the RCPS are as follows:

- (i) the RCPS has a par value of RM1.00 each and bears zero dividend rate;
- (ii) the RCPS has maturity period of five (5) years from and including the date of issuance of the RCPS on 1 July 2015;
- (iii) the registered holder will have the right to convert the RCPS at the conversion price of RM0.15 into new shares at anytime from the issue date until the maturity date. Notwithstanding the above, the registered holder shall not be allowed to exercise its conversion rights during the conversion period if the public shareholding spread shall fall below twenty-five percent (25%) of the total shares or such other percentage as may be imposed by the Listing Requirements from time to time as a result of such conversion;
- (iv) each RCPS shall be, at the sole option of the Company, be redeemed by payment by the Company in cash to the holder thereof, on any date during the tenure of the RCPS and before the maturity date, an amount equivalent to the issue price of each RCPS held. Any RCPS not converted or redeemed shall, on maturity date, be automatically lapse;
- (v) the RCPS holders shall carry no right to vote at any general meeting of the Company except with regard to:
 - any proposal to wind up the Company;
 - during the winding-up of the Company;
 - on any proposal that affects the rights of the RCPS holders;
 - on a proposal to reduce the Company's share capital; or
 - on a proposal for the disposal of the whole property, business and undertaking of the Company.

In any such case, the RCPS holder shall be entitled to vote together with the holders of ordinary shares and entitled to one (1) vote for each RCPS held.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

21. SHARE CAPITAL *cont'd*

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

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

The RCPS were converted to 160,012,386 ordinary shares on 22 May 2020.

22. OTHER RESERVES

Group	Revaluation reserve RM	Exchange reserve RM	Total RM
At 1 July 2018	9,190,233	(300,386)	8,889,847
Revaluation surplus on leasehold land and buildings, net of deferred tax	18,708,081	-	18,708,081
Exchange differences on translation of a foreign operation	-	189,869	189,869
At 30 June 2019	27,898,314	(110,517)	27,787,797
Revaluation surplus on leasehold land and buildings, net of deferred tax	2,445,595	-	2,445,595
Exchange differences on translation of a foreign operation	-	16,084	16,084
At 30 June 2020	30,343,909	(94,433)	30,249,476

Revaluation reserve

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

Exchange reserve

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

23. REORGANISATION DEFICIT

	Group	
	2020 RM	2019 RM
At 1 July/30 June	(47,962,248)	(47,962,248)

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

(cont'd)

24. RETAINED PROFITS/(ACCUMULATED LOSSES)

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

25. LOANS AND BORROWINGS

	Group	
	2020	2019
	RM	RM
Non-current		
Secured:		
Hire purchase payables	1,224,991	1,779,112
Term loans	16,914,945	18,110,106
	18,139,936	19,889,218
Unsecured:		
Lease liabilities	3,552,498	-
	21,692,434	19,889,218
Current		
Secured:		
Bankers' acceptances	108,420,074	109,589,044
Bank overdrafts	15,831,019	34,863,334
Hire purchase payables	1,095,697	1,387,216
Revolving credit	4,000,000	18,000,000
Term loans	1,360,784	1,036,595
Trust receipts	20,758,339	19,121,636
	151,465,913	183,997,825
Unsecured:		
Lease liabilities	1,413,408	-
	152,879,321	183,997,825
Total loans and borrowings		
Secured:		
Bankers' acceptances	108,420,074	109,589,044
Bank overdrafts (Note 20)	15,831,019	34,863,334
Hire purchase payables	2,320,688	3,166,328
Revolving credit	4,000,000	18,000,000
Term loans	18,275,729	19,146,701
Trust receipts	20,758,339	19,121,636
	169,605,849	203,887,043
Unsecured:		
Lease liabilities	4,965,906	-
	174,571,755	203,887,043

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

25. LOANS AND BORROWINGS *cont'd*

	Group	
	2020	2019
	RM	RM
Maturity structure of loans and borrowings		
Within one year	152,879,321	183,997,825
Between one to five years	9,960,459	6,626,554
More than five years	11,731,975	13,262,664
	174,571,755	203,887,043

The interest rate structures are as follows:

	Effective interest rate per annum	
	2020	2019
Bankers' acceptances	2.59% to 4.35%	3.75% to 7.03%
Bank overdrafts	5.40% to 6.89%	6.89% to 8.39%
Hire purchase payables	6.01% to 7.32%	4.47% to 7.36%
Revolving credit	4.00% to 5.11%	5.01%
Term loans	2.85% to 4.18%	4.34% to 5.54%
Trust receipts	5.00% to 5.75%	6.00%
Lease liabilities	4.64%	-

The loans and borrowings are secured by the followings:

- (i) Facilities agreement together with interest thereon and all monies due and payable;
- (ii) Legal charge over certain leasehold land and buildings of the Group as disclosed in Note 14 to the financial statements;
- (iii) Joint and several guarantees by certain Directors of the Company;
- (iv) Corporate guarantees by the Company;
- (v) Letter of undertaking from certain Directors of the Company; and
- (vi) Negative pledge.

26. DEFERRED TAX LIABILITIES

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
At 1 July	10,523,830	5,183,590	-	8,971
Recognised in profit or loss (Note 12)	226,309	(567,575)	8,063	(8,971)
Recognised in other comprehensive income	772,293	5,907,815	-	-
At 30 June	11,522,432	10,523,830	8,063	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

26. DEFERRED TAX LIABILITIES *cont'd*

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

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Deferred tax assets				
Unabsorbed capital allowances	-	(684,156)	-	-
Unutilised tax losses	(1,875,617)	(5,284,695)	-	-
	(1,875,617)	(5,968,851)	-	-
Deferred tax liabilities				
Revaluation of property, plant and equipment	47,152,679	43,934,791	-	-
Temporary differences on qualifying property, plant and equipment	2,733,073	5,883,352	33,596	-
	49,885,752	49,818,143	33,596	-
	48,010,135	43,849,292	33,596	-
Tax rate	24%	24%	24%	24%
Deferred tax liabilities recognised	11,522,432	10,523,830	8,063	-

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

	Group	
	2020	2019
	RM	RM
Temporary differences on qualifying property, plant and equipment	(640,073)	(745,693)
Unabsorbed capital allowances	(196,048)	(38,152)
Unutilised tax losses	(985,260)	(119,525)
	(1,821,381)	(903,370)
Tax rate	24%	24%
Deferred tax assets not recognised	(437,131)	(216,808)

The unabsorbed capital allowances disclosed above are available indefinitely for offsetting against future taxable profits of the Group whereas the unutilised losses is available to be carried forward up to the maximum of seven (7) years, subject to no substantial change in shareholdings under the Income Tax Act, 1967 and guidelines issued by the tax authority.

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Trade payables				
Third parties	32,750,568	36,421,823	-	280,000
Other payables				
Other payables				
- Amounts due to Directors	-	13,451	-	-
- Amounts due to subsidiaries	-	-	31,815,036	17,853,453
- Amount due to immediate holding company	4,465,895	-	4,465,895	-
- Third parties	4,155,548	1,601,628	375,485	41,713
Deposits payable	1,746,667	1,815,808	-	-
Accruals	3,099,089	2,146,786	595,146	423,726
	13,467,199	5,577,673	37,251,562	18,318,892
Total trade and other payable	46,217,767	41,999,496	37,251,562	18,598,892

Trade payables are non-interest bearing and the normal credit terms granted to the Group range from 30 to 90 (2019: 30 to 90) days.

The non-trade amounts due to subsidiaries are unsecured, bear interest at rates ranging from 4.00% to 5.11% (2019: 4.80% to 5.30%) per annum and repayable on demand.

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

Included in deposits payable of the Group are trade security deposits from customers amounting to RM2,635,000 (2019: RM1,704,608).

28. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Identities of related parties

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

28. SIGNIFICANT RELATED PARTY TRANSACTIONS *cont'd*

(b) Related parties' transactions and outstanding balances

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

Name of related parties	Type of transactions	Transaction value		Balance outstanding as at 30 June	
		2020	2019	2020	2019
		RM	RM	RM	RM
Group					
Immediate holding company:					
Kim Teck Cheong Holdings Sdn. Bhd.	Advances	(4,465,895)	-	(4,465,895)	-
	Settlement of accounts	-	24,349		
Unincorporated business in which a Director of a subsidiary has financial interest:					
Syarikat Berlian Jaya	Bad debts written off	-	117,865	64,737	64,737
Director of a subsidiary:					
Woo Chung Heng	Settlement of accounts	221,775	21,083	1,914	(13,451)
	Payment on behalf	(210,238)	-		
Company					
Subsidiaries:					
KTC Sdn. Bhd.	Interest expense	-	17,143	8,088,336	143,506
	Interest income	(286,348)	(8,171)		
	Management fee income	(1,881,033)	(1,899,887)		
KTC Brands	Interest income	(120,371)	(146,553)	2,559,170	2,435,746
	Impairment charge/(Reversal of impairment)	1,091,921	(852,127)		
KTC Distribution	Interest expense	-	964	4,200,037	3,658,051
	Interest income	(196,452)	(268,991)		
	Management fee income	(854,975)	(676,403)		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

28. SIGNIFICANT RELATED PARTY TRANSACTIONS *cont'd*

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

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

Name of related parties	Type of transactions	Transaction value		Balance outstanding as at 30 June	
		2020	2019	2020	2019
		RM	RM	RM	RM
Company					
KTC Sarawak	Interest income	(556,875)	(416,005)	14,434,405	7,898,727
	Management fee income	(1,198,486)	(1,323,374)		
Gardenia	Interest expense	91,472	93,512	(1,961,606)	(1,855,170)
	Management fee income	(16,830)	-		
KTC Borneo	Interest income	(311,707)	(248,179)	8,262,785	5,296,160
	Management fee income	(1,540,169)	(1,475,608)		
	(Reversal of impairment)/ Impairment charge	(2,883,044)	1,565,575		
Creamos Malaysia	Interest income	(88,546)	(90,953)	1,639,417	1,676,864
	Management fee income	(74,532)	(66,307)		
KTC Retail	Interest income	(81)	(26,868)	3,134	-
KTC Grandtop	Interest expense	735,609	919,021	(29,853,430)	(15,998,283)
	Management fee income	(843,292)	(882,179)		
KTC Shipping	Payment on behalf	58,763	-	58,763	-
Immediate holding company:					
Kim Teck Cheong Holdings Sdn. Bhd.	Advances	(4,465,895)	-	(4,465,895)	-
	Settlement of accounts	-	24,349		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

28. SIGNIFICANT RELATED PARTY TRANSACTIONS *cont'd*

(c) Compensation of key management personnel

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

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Short-term employee benefits	3,025,075	2,535,276	2,414,620	2,227,670
Other emoluments	569,206	885,576	494,889	846,626
	3,594,281	3,420,852	2,909,509	3,074,296
Included in the key management personnel are:				
Directors' remuneration (Note 9)	2,303,083	2,528,988	2,303,083	2,528,988
Key management personnell's remuneration	1,291,198	891,864	606,426	545,308
	3,594,281	3,420,852	2,909,509	3,074,296

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

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

29. FINANCIAL GUARANTEES

The fair value of financial guarantees provided by the Company to the banks to secure banking facilities granted to subsidiaries as disclosed in Note 25 to the financial statements with nominal amount of RM131,567,013 (2019: RM148,372,556) are negligible as the financial guarantees provided by the Company did not contribute towards credit enhancement of the subsidiaries' borrowings in view of the security pledged by the subsidiaries and it is unlikely that the subsidiaries will default within the guarantee provided.

30. COMMITMENTS

Operating lease commitments

The Group as lessee

The Group has entered into non-cancellable operating lease agreements for the lease of a number of warehouses and offices for terms ranging from two (2) to ten (10) years. The lease commitment of RM12,976,208 as at 30 June 2019 has been recognised as right-of-use assets upon initial application of MFRS 16 on 1 July 2019 as disclosed in Note 2(c).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

30. COMMITMENTS *cont'd*

Operating lease commitments *cont'd*

The Group as lessee *cont'd*

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

	Group	
	2020	2019
	RM	RM
Within one year	-	1,623,772
Between one to five years	-	2,941,052
After five years	-	222,000
	-	4,786,824

The Group as lessor

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

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

	Group	
	2020	2019
	RM	RM
Within one year	36,000	12,000
Between one to five years	5,600	2,400
	41,600	14,400

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Financial assets				
<u>Measured at amortised cost</u>				
Trade and other receivables	133,626,441	138,447,881	36,699,677	16,773,561
Cash and bank balances	2,012,451	11,677,450	90,577	654,807
Total financial assets	135,638,892	150,125,331	36,790,254	17,428,368

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

31. FINANCIAL INSTRUMENTS *cont'd*

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

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Financial liabilities				
<u>Measured at amortised cost</u>				
Trade and other payables	46,217,767	41,999,496	37,251,562	18,598,892
Loans and borrowings	174,571,755	203,887,043	-	-
Total financial liabilities	220,789,522	245,886,539	37,251,562	18,598,892

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

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Trade and other receivables				
As reflected in the Statements of Financial Position (Note 19)	134,337,773	142,107,844	36,719,106	16,830,794
Less: Prepayments	(711,332)	(1,262,003)	(19,429)	(55,529)
GST refundable	-	(2,397,960)	-	(1,704)
Financial assets measured at amortised cost	133,626,441	138,447,881	36,699,677	16,773,561

(b) Financial risk management

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

The Group's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Board of Directors reviews and agrees to procedures and policies for management of these risks.

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

(i) Credit risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

31. FINANCIAL INSTRUMENTS *cont'd*

(b) Financial risk management *cont'd*

(i) Credit risk *cont'd*

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

As at the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the Statements of Financial Position; and
- A nominal amount of RM131,567,013 (2019: RM148,372,556) relating to corporate guarantees provided by the Company to the banks to secure banking facilities granted to the subsidiaries.

Trade receivables

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

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

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

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

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

	Gross amount RM	Expected credit losses RM	Carrying value RM
2020			
Not past due	53,855,748	(238,156)	53,617,592
Past due:			
- less than 30 days	32,887,437	(263,219)	32,624,218
- between 31 to 60 days	15,323,232	(109,002)	15,214,230
- between 61 to 90 days	4,919,880	(53,686)	4,866,194
- more than 90 days	4,131,240	(1,771,094)	2,360,146
	57,261,789	(2,197,001)	55,064,788
	111,117,537	(2,435,157)	108,682,380

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

31. FINANCIAL INSTRUMENTS *cont'd*

(b) Financial risk management *cont'd*

(i) Credit risk *cont'd*

Trade receivables *cont'd*

The ageing analysis of the Group's trade receivables as at the reporting date is as follows (cont'd):

	Gross amount RM	Expected credit losses RM	Carrying value RM
2019			
Not past due	45,158,872	-	45,158,872
Past due:			
- less than 30 days	41,570,449	(125,669)	41,444,780
- between 31 to 60 days	21,451,414	(85,089)	21,366,325
- between 61 to 90 days	5,647,324	(21,035)	5,626,289
- more than 90 days	5,076,604	(1,161,022)	3,915,582
	73,745,791	(1,392,815)	72,352,976
	118,904,663	(1,392,815)	117,511,848

Impairment for trade receivables is measured at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables includes both individual impairment for those that show objective evidence of impairment (stage 3 loss) and collective impairment (stage 2 loss). Collective impairment has been provided using the provisional matrix based on historical loss experience of the respective entities in the Group with reference to past due status of the debtor, as follows:

	Expected credit loss rates	
	2020	2019
Not past due	0% - 35%	0%
Past due:		
- less than 30 days	0% - 48%	0%
- between 31 to 60 days	0% - 57%	0% - 1%
- between 61 to 90 days	0% - 5%	0% - 1%
- more than 90 days	0% - 75%	2% - 77%

The expected credit loss rates are based on the historical loss rates experienced by each entity in the Group as adjusted for forward looking element as necessary. For other receivables including amounts due from subsidiary companies, a lifetime expected credit loss is assessed for those counterparties that show significant increase in credit risk as at the end of the reporting period, and impairment made based on objective evidence of impairment.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

31. FINANCIAL INSTRUMENTS *cont'd*

(b) Financial risk management *cont'd*

(i) Credit risk *cont'd*

Inter-company advances

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

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

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

Cash and cash equivalents

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

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

(ii) Liquidity risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

31. FINANCIAL INSTRUMENTS *cont'd*

(b) Financial risk management *cont'd*

(ii) Liquidity risk *cont'd*

Analysis of financial instruments by remaining contractual maturities

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

Group	Carrying amount RM	Contractual undiscounted cashflows RM	Within One (1) year RM	One (1) to Five (5) years RM	Over Five (5) years RM
2020					
Financial liabilities					
Trade and other payables	46,217,767	46,217,767	46,217,767	-	-
Loans and borrowings	174,571,755	179,433,955	154,115,236	12,237,110	13,081,609
	220,789,522	225,651,722	200,333,003	12,237,110	13,081,609
2019					
Financial liabilities					
Trade and other payables	41,999,496	41,999,496	41,999,496	-	-
Loans and borrowings	203,887,043	208,456,985	184,641,118	8,866,055	14,949,812
	245,886,539	250,456,481	226,640,614	8,866,055	14,949,812

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

31. FINANCIAL INSTRUMENTS *cont'd*

(b) Financial risk management *cont'd*

(ii) Liquidity risk *cont'd*

Analysis of financial instruments by remaining contractual maturities

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

Company	Carrying amount RM	Contractual undiscounted cashflows RM	Within One (1) year RM	One (1) to Five (5) years RM	Over Five (5) years RM
2020					
Financial liabilities					
Trade and other payables	37,251,562	37,251,562	37,251,562	-	-
Financial guarantees*	-	131,567,013	131,567,013	-	-
	37,251,562	168,818,575	168,818,575	-	-
2019					
Financial liabilities					
Trade and other payables	18,598,892	18,598,892	18,598,892	-	-
Financial guarantees*	-	148,372,556	148,372,556	-	-
	18,598,892	166,971,448	166,971,448	-	-

* The maximum amount of the issued financial guarantee contracts is allocated to the earliest period in which the guarantees could be called.

(iii) Interest rate risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

31. FINANCIAL INSTRUMENTS *cont'd*

(b) Financial risk management *cont'd*

(iii) Interest rate risk *cont'd*

Sensitivity analysis for interest rate risk

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

	Group	
	(Decrease)/Increase	
	2020	2019
	RM	RM
Effects on profit after taxation		
Increase of 50bp (2019: 15bp)	(718,897)	(225,335)
Decrease of 50bp (2019: 15bp)	718,897	225,335

(iv) Foreign currency risk

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

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

The Group does not hedge its investment in Brunei.

32. FAIR VALUE INFORMATION

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

The Group uses the following fair value hierarchy for determining and disclosing the fair value by valuation technique:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

32. FAIR VALUE INFORMATION *cont'd*

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

2020	Carrying amount	Level 1	Level 2	Level 3
Non-financial assets	RM	RM	RM	RM
Property, plant and equipment				
- Leasehold land	49,196,172	-	-	49,196,172
- Leasehold buildings	37,923,847	-	-	37,923,847
	87,120,019	-	-	87,120,019

2019	Carrying amount	Level 1	Level 2	Level 3
Non-financial assets	RM	RM	RM	RM
Property, plant and equipment				
- Leasehold land	48,555,243	-	-	48,555,243
- Leasehold buildings	37,456,571	-	-	37,456,571
	86,011,814	-	-	86,011,814

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

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

Comparison method

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

Financial guarantees

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

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

The financial guarantees have not been recognised in the financial statements of the Group as the requirements to reimburse are remote and the Group does not expect to incur material losses under these corporate guarantees. As at 30 June 2020, there was no indication that the subsidiaries would default on payments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

33. CAPITAL MANAGEMENT

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

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

The Group and the Company monitor capital using gearing ratio. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus payables less cash and bank balances.

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

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Loans and borrowings	174,571,755	203,887,043	-	-
Trade and other payables	46,217,767	41,999,496	37,251,562	18,598,892
Less: Cash and bank balances	(2,012,451)	(11,677,450)	(90,577)	(654,807)
Net debt	218,777,071	234,209,089	37,160,985	17,944,085
Total equity	116,854,043	110,726,568	90,431,973	88,967,372
Gearing ratio	187%	212%	41%	20%

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

34. SEGMENT INFORMATION

(i) Operating segment

For management purposes, the Group is organised into business units based on its products and services, and has three (3) reportable operating segments as follows:

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

34. SEGMENT INFORMATION *cont'd*

(i) Operating segment *cont'd*

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.

2020	Note	Distribution RM	Manufacturing RM	Others RM	Adjustments and elimination RM	Total RM
Revenue						
Revenue from external customers	(a)	631,643,473	8,746,136	-	-	640,389,609
Inter-segment revenue		732,742	372,487	6,409,317	(7,514,546)	-
Total revenue		632,376,215	9,118,623	6,409,317	(7,514,546)	640,389,609
Results						
Interest income		(3,526,582)	(365,345)	(1,567,206)	5,277,396	(181,737)
Interest expense		13,157,319	636,095	827,081	(5,277,396)	9,343,099
Depreciation of property, plant and equipment		3,679,939	938,050	47,456	1,611,321	6,276,766
Rental expenses:						
- warehouses and offices		2,015,163	-	-	(1,468,366)	546,797
- office equipment		71,347	-	19,506	-	90,853
Other non-cash expenses	(b)	2,371,106	1,275,758	1,109,604	-	4,756,468
Segment profit after tax	(c)	13,025,281	340,260	1,457,666	(10,667,692)	4,155,515
Assets						
Additions to non-current assets (excluding financial assets and deferred tax assets)	(d)	1,757,219	454,335	24,917	-	2,236,471
Segment assets	(e)	400,038,314	32,969,182	127,684,663	(210,831,491)	349,860,668
Liabilities						
Segment liabilities	(f)	310,129,290	15,601,812	37,259,625	(129,984,102)	233,006,625

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

34. SEGMENT INFORMATION *cont'd*

(i) Operating segment *cont'd*

2019	Note	Distribution RM	Manufacturing RM	Others RM	Adjustments and elimination RM	Total RM
Revenue						
Revenue from external customers	(a)	618,359,392	6,617,090	-	-	624,976,482
Inter-segment revenue		1,605,347	-	6,323,758	(7,929,105)	-
Total revenue		619,964,739	6,617,090	6,323,758	(7,929,105)	624,976,482
Results						
Amortisation of intangible asset		78,964	-	-	-	78,964
Interest income		(2,701,802)	(14,987)	(1,223,073)	2,570,520	(1,369,342)
Interest expense		11,896,792	593,938	1,030,640	(2,570,520)	10,950,850
Depreciation of property, plant and equipment		2,916,840	808,723	40,746	381,595	4,147,904
Rental expenses:						
- warehouses and offices		1,621,518	750	-	(612,000)	1,010,268
- office equipment		11,230	-	26,167	-	37,397
Other non-cash income	(b)	(642,910)	220,407	-	-	(422,503)
Segment profit after tax	(c)	14,112,586	(15,857)	(291,840)	(1,810,288)	11,994,601
Assets						
Additions to non-current assets (excluding financial assets and deferred tax assets)	(d)	2,754,523	511,032	97,046	-	3,362,601
Segment assets	(e)	400,590,950	17,057,703	107,599,426	(157,279,542)	367,968,537
Liabilities						
Segment liabilities	(f)	312,971,188	13,627,913	18,632,054	(87,989,186)	257,241,969

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

34. SEGMENT INFORMATION *cont'd*

(i) Operating segment *cont'd*

- (a) Inter-segment revenue are eliminated on consolidation.
- (b) Other material non-cash expenses/(income) consist of the following items as presented in the respective notes:

	2020 RM	2019 RM
Bad debts written off	243,198	876,026
Deposits written off	-	113,700
Impairment charge/(Reversal of impairment) on financial assets	1,431,125	(3,768,070)
Impairment on slow moving inventories	673,626	-
Inventories written off	1,284,667	2,538,583
Loss on disposal of property, plant and equipment	12,040	-
Other receivables written off	1,675	-
Property, plant and equipment written off	1,450	-
Reversal of bad debts written off	(917)	(282)
Trade deposits written back	-	(182,460)
Unrealised loss on foreign exchange	1,109,604	-
	4,756,468	(422,503)

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

	2020 RM	2019 RM
Profit from inter-segment sales	(6,195,604)	(797,641)
Unallocated corporate expenses	8,912,828	7,967,438
Other income	(13,420,219)	(8,999,037)
Tax expenses	35,303	18,952
	(10,667,692)	(1,810,288)

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

	2020 RM	2019 RM
Property, plant and equipment	2,236,471	3,362,601

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

	2020 RM	2019 RM
Inter-segment assets	(210,831,491)	(157,279,542)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
(cont'd)

34. SEGMENT INFORMATION *cont'd*

(i) Operating segment *cont'd*

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

	2020 RM	2019 RM
Inter-segment liabilities	(129,984,102)	(87,989,186)

(ii) Geographical information

The analysis of the Group's revenue by geographical segment is as disclosed in Note 5 to the financial statements.

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
2020				
Property, plant and equipment	93,805,486	4,376,688	2,229,815	100,411,989
Goodwill on consolidation	4,164,013	1,817,371	-	5,981,384
	97,969,499	6,194,059	2,229,815	106,393,373
2019				
Property, plant and equipment	92,700,328	2,408,536	574,125	95,682,989
Goodwill on consolidation	4,164,013	1,817,371	-	5,981,384
	96,864,341	4,225,907	574,125	101,664,373

(iii) Major customers

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

35. SIGNIFICANT EVENT

Prior to the financial year end, the World Health Organisation ("WHO") had on 11 March 2020 declared the 2019 Novel Coronavirus outbreak ("COVID-19") a pandemic. This was followed by the Government of Malaysia issuing a Gazetted Order known as the Movement Control Order ("MCO") which was effective for the period from 18 March 2020 to 3 May 2020 and Conditional Movement Control Order ("CMCO") from 4 May 2020 to 9 June 2020. Subsequently, Recovery Movement Control Order ("RMCO") was gazetted which is effective for the period from 10 June 2020 to 31 August 2020.

As at the date of this report, the full financial impact of the Covid-19 pandemic to the Group cannot be reasonably estimated due to the uncertainties prevailing within and outside the country as well as the spike in COVID-19 cases in Sabah which is one of the locations in which the major operations of the Group is located subsequent to the financial year ended 30 June 2020. As such, the management will continue closely monitor the evolving situation of the pandemic and will proactively take appropriate measures to mitigate the possible impacts to the Group's performance.

GROUP'S PROPERTIES

AS AT 30 JUNE 2020

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 2020 RM
Creamos Malaysia	Title Master Title CL 015585501, District of Kota Kinabalu, State of Sabah	Description Industrial land with a detached 3-storey office cum single-storey warehouse building	Approximate age of the building 11 years	81,463/ 64,268	29 September 2020	10,560,000
	Address Lot No. 3 Lorong 1F KKIP Selatan, Industrial Zone 4 (I.Z. 4), Kota Kinabalu Industrial Park, 88460 Kota Kinabalu, Sabah ("Lot 3")	Existing use (i) Ground floor of the 3-storey office is use by Creamos Malaysia and Gardenia as storage; (ii) A portion of ground floor (approximately 235 sq ft) is used by Creamos Malaysia and Gardenia as sanitation room; (iii) First and second floor of the 3-storey office is used by Creamos Malaysia and Gardenia as office; and (iv) Warehouse building is used by Creamos Malaysia and Gardenia as factory A small part of the exterior of the building at Lot 3 is used by Digi Telecommunication Sdn Bhd for the installation of base transceiver station facility and for the installation of antennas and/ or other telecommunications equipment	Tenure 99 years expiring on 31 December 2098			
KTC Distribution	Title Master Title CL 015585501, District of Kota Kinabalu, State of Sabah	Description Industrial land with 2 units single-storey warehouse building (1 unit with cold room storage) and 1 covered loading and unloading bay	Approximate age of the building 7 years and 2 years (for extended warehouse)	105,630/ 105,162	29 September 2020	16,700,000
	Address Lot No. 5, Lorong 1F, KKIP Selatan, Industrial Zone 4 (I.Z. 4), Kota Kinabalu Industrial Park, 88460 Kota Kinabalu, Sabah ("Lot 5")	Existing use Entire building is used by KTC Distribution as office and warehouse storage	Tenure 99 years expiring on 31 December 2098			

GROUP'S PROPERTIES

AS AT 30 JUNE 2020

(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 2020 RM
KTC Sdn Bhd	Title CL 015379674, District of Kota Kinabalu, State of Sabah Address Lot 22, Jalan Kilang, SEDCO Light Industrial Estate, Mile 5½ 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 37 years and 32 years (for extended warehouse) Tenure 60 years expiring on 31 December 2034	53,580/ 57,044	30 September 2020	15,140,000
KTC Sdn Bhd	Title CL 015620701, District of Kota Kinabalu, State of Sabah Address Lot 74A, Jalan Kilang, SEDCO Light Industrial Estate, Mile 5½ 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 14 years Tenure 60 years expiring on 31 December 2072	20,076/ 23,829	30 September 2020	6,100,000

GROUP'S PROPERTIES

AS AT 30 JUNE 2020
(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 2020 RM
KTC Sdn Bhd	Title CL 015620710, District of Kota Kinabalu, State of Sabah Address Lot 74B, Jalan Kilang, SEDCO Light Industrial Estate, Mile 5½ 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 14 years Tenure 60 years expiring on 31 December 2072	19,540/ 24,164	30 September 2020	6,000,000
KTC Sdn Bhd	Title CL 015424423, District of Kota Kinabalu, State of Sabah Address Lot 73, Jalan Kilang, SEDCO Light Industrial Estate, Mile 5½ Jalan Tuaran, 88450 Kota Kinabalu, Sabah	Description Industrial land with a detached single-storey warehouse cum 2-storey office building Existing use (i) Ground and first floor of the office building are used by KTC Sdn Bhd as office; and (ii) Warehouse is used by KTC Sdn Bhd for warehouse storage	Approximate age of the building 26 years Tenure 60 years expiring on 31 December 2070	42,857/ 40,360	30 September 2020	12,300,000
Gardenia	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 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 10 years Tenure 99 years expiring on 31 December 2101	35,761/ 40,321	29 September 2020	7,750,000

GROUP'S PROPERTIES

AS AT 30 JUNE 2020

(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 2020 RM
KTC Shipping	Title 01-LCPLS- 014-008-00726, Distirct 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 12 years Tenure 60 years expiring on 14 June 2065	130,671/ 90,815	29 September 2020	10,000,000

ANALYSIS OF SHAREHOLDINGS

AS AT 16 OCTOBER 2020

SHARE CAPITAL

Total Number of Issued Shares	:	670,289,386 Shares
Class of Shares	:	Ordinary shares
Voting Rights	:	Every member of the Company, present in person or by proxy, shall have on a show of hands, one (1) vote or on a poll, one (1) vote for each share held
Number of Shareholders	:	1,880

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Holders	%	No. of Shares	%
1 to 99	12	0.49	432	0.00
100 to 1,000	151	6.14	82,406	0.01
1,000 to 10,000	689	28.00	4,623,612	0.69
10,001 to 100,000	1,318	53.55	53,244,950	7.94
100,001 to 33,514,468 (*)	290	11.78	137,048,600	20.45
33,514,469 and above (**)	1	0.04	475,289,386	70.91
Total	2,461	100.00	670,289,386	100.00

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

DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct	Shareholdings		
		%	Indirect	%
Y. Bhg. Tan Sri Datuk Seri Panglima Richard Malanjum	-	-	-	-
Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing	-	-	475,289,386 ⁽¹⁾	70.91
Y. Bhg. Datin Lim Fook Len @ Lim Su Chin	-	-	475,289,386 ⁽²⁾	70.91
Mr. Lau Wei Dick @ Dexter Dick Lau	-	-	475,289,386 ⁽²⁾	70.91
Mr. Lim Hui Kiong	-	-	-	-
Ms. Phang Sze Fui	-	-	-	-
Y. Bhg. Dato' Mohd Ibrahim Bin Mohd Nor	-	-	-	-
Madam Wong Wen Miin	-	-	-	-

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

⁽²⁾ Deemed interested by virtue of his/her family member's shareholdings in Kim Teck Cheong Holdings Sdn. Bhd. and Kim Teck Cheong Capital Sdn. Bhd. pursuant to Section 197 of the Act.

ANALYSIS OF SHAREHOLDINGS

AS AT 16 OCTOBER 2020

(cont'd)

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

Name of Shareholders	Direct	Shareholdings		%
		%	Indirect	
Kim Teck Cheong Holdings Sdn. Bhd.	475,289,386	70.91	-	-
Kim Teck Cheong Capital Sdn. Bhd.	-	-	475,289,386 ⁽¹⁾	70.91
Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing	-	-	475,289,386 ⁽¹⁾	70.91
Y. Bhg. Datin Lim Fook Len @ Lim Su Chin	-	-	475,289,386 ⁽²⁾	70.91
Mr. Lau Wei Dick @ Dexter Dick Lau	-	-	475,289,386 ⁽²⁾	70.91
Mr. Benedick Vicpaul Lau	-	-	475,289,386 ⁽²⁾	70.91
Ms. Lindfay Laura Lau	-	-	475,289,386 ⁽²⁾	70.91

Notes:-

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

⁽²⁾ Deemed interested by virtue of his/her family member's shareholdings in Kim Teck Cheong Holdings Sdn. Bhd. and Kim Teck Cheong Capital Sdn. Bhd. pursuant to Section 197 of the Act.

THIRTY (30) LARGEST SHAREHOLDERS AS AT 16 OCTOBER 2020

No.	Name of Shareholders	No. of Shares	%
1	KIM TECK CHEONG HOLDINGS SDN. BHD.	475,289,386	70.91
2	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD TA DYNAMIC ABSOLUTE MANDATE	17,300,000	2.58
3	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. CIMB COMMERCE TRUSTEE BERHAD FOR MAYBANK MALAYSIA SMALLCAP FUND	10,000,000	1.49
4	CGS-CIMB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR MAK TIAN MENG (MY3136)	9,101,000	1.36
5	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD.	7,400,000	1.10
6	TASEC NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR TA INVESTMENT MANAGEMENT BERHAD (CLIENTS)	6,096,400	0.91
7	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LOH WAH XIAN (E-TAI)	2,411,500	0.36
8	NG CHOON CHUAN	1,622,200	0.24
9	LOW KAM FATT	1,600,000	0.24
10	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR HO TAU TAI (M08)	1,540,200	0.23
11	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-R ES)	1,468,300	0.22
12	LEONG NAM SOON	1,330,000	0.20
13	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LAI CHENG KUAN (8070081)	1,000,000	0.15
14	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD SABAH ENERGY CORPORATION EMPLOYEE GRATUITY FUND	952,300	0.14

ANALYSIS OF SHAREHOLDINGS

AS AT 16 OCTOBER 2020
(cont'd)

THIRTY (30) LARGEST SHAREHOLDERS AS AT 16 OCTOBER 2020 *cont'd*

No.	Name of Shareholders	No. of Shares	%
15	JF APEX NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR LEE CHEE KEONG (STA 5)</i>	950,000	0.14
16	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR SIAH SONG LIN</i>	942,100	0.14
17	PUBLIC NOMINEES (ASING) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR PHANG MAH THIANG (E-LBG)</i>	924,100	0.14
18	LIEW SIEW KIAN	920,400	0.14
19	MAYBANK SECURITIES NOMINEES (ASING) SDN. BHD. <i>MAYBANK KIM ENG SECURITIES PTE LTD FOR NG LAY PING</i>	900,000	0.13
20	CHEN HAI LIANG	871,000	0.13
21	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. <i>KENANGA INVESTORS BHD FOR TANG KHYE SENG</i>	840,400	0.13
22	LEE HUANG HUI	810,000	0.12
23	KENANGA NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR LOH WAI CHUAN</i>	800,000	0.12
24	AMSEC NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR TEE TEOW CHUAN</i>	790,000	0.12
25	HO CHEE CHEUNG	750,000	0.11
26	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR LIM MEI YORK (E-IMO)</i>	723,600	0.11
27	CHENG YEAN YUN @ TAY YAN HOON	700,000	0.10
28	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR LAW CHOO KIANG</i>	700,000	0.10
29	TAN SIEW LI	668,300	0.10
30	KENANGA NOMINEES (TEMPATAN) SDN. BHD. <i>REKUTEN TRADE SDN. BHD. FOR GOH KIM LAI</i>	649,200	0.10
Total		550,050,386	82.06

NOTICE OF THE SIXTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixth Annual General Meeting (“**AGM**”) of Kim Teck Cheong Consolidated Berhad (“**KTC**” or “**Company**”) will be held at Meeting Room, Lot 73, Jalan Kilang, Sedco Light Industrial Estate, Mile 5 1/2, Jalan Tuaran, 88450 Kota Kinabalu, Sabah on Monday, 21 December 2020 at 9.00 a.m. However, please be informed that in the event the Movement Control Order is extended, the Company will make the necessary announcements on the details of the virtual meeting on the company’s website at <https://kimteckcheong.com/> accordingly.

The following are the business to be transacted at the Sixth AGM:

ORDINARY BUSINESS:-

1. To receive the Audited Financial Statements for the financial year ended 30 June 2020 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 RM260,160 for the financial year ended 30 June 2020; **Resolution 1**
 - (ii) Directors’ fees of up to RM260,160 from 1 July 2020 up to the next Annual General Meeting of the Company to be held in 2021; and **Resolution 2**
 - (iii) Meeting allowance of RM40,000 from 1 July 2020 up to the next Annual General Meeting of the Company to be held in 2021. **Resolution 3**
3. To re-elect the following Directors who retire by rotation pursuant to Clause 97 of the Company’s Constitution:
 - (i) Y. Bhg. Datin Lim Fook Len @ Lim Su Chin **Resolution 4**
 - (ii) Mr. Lim Hui Kiong **Resolution 5**
 - (iii) Ms. Phang Sze Fui **Resolution 6**
4. To re-elect Y. Bhg. Tan Sri Datuk Seri Panglima Richard Malanjum who retire pursuant to Clause 104 of the Company’s Constitution. **Resolution 7**
5. To re-appoint Messrs. PKF Malaysia as the Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 8**

SPECIAL BUSINESS:-

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

6. **SPECIAL RESOLUTION** **Resolution 9**
 - **Amendment to the Clause 15 of the Constitution of the Company**

To replace the following new Clause 15 of the Constitution of the Company in toto:

15. Issue of Securities

Subject to the Listing Requirements, the Act, the Central Depositories Act and/or the Rules and notwithstanding the existence of a resolution pursuant to the Act, the Company must ensure that it shall not issue any shares if those shares, when aggregated with any such shares issued during the preceding twelve (12) months, **exceeds 20%** of the number of issued shares of the Company, except where the shares are issued with the prior approval of shareholders in general meeting of the precise terms and conditions of the issue, in working out the number of shares that may be issued by the Company.

NOTICE OF THE SIXTH ANNUAL GENERAL MEETING

(cont'd)

7. ORDINARY RESOLUTION

Resolution 10

- **Authority for Directors to allot and issue shares pursuant to Section 76 of the Companies Act, 2016**

Subject to the approval of the Resolution 9, the ordinary resolution set out below shall be proposed to the Members for approval:-

“**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 20% 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.”

ANY OTHER BUSINESS:-

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

BY ORDER OF THE BOARD

WONG YOUN KIM (MAICSA 7018778)
Company Secretary

Dated: 30 October 2020
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 24 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 15 December 2020 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

NOTICE OF THE SIXTH ANNUAL GENERAL MEETING

(cont'd)

8. **Explanatory Notes on Special Business**

Resolution 9 - Amendment to the Clause 15 of the Constitution of the Company

The proposed Special Resolution if passed, will render the Constitution of the Company to be in line with the additional relief measures granted by Bursa Malaysia in which to provide flexibilities in fundraising and ease compliance. In view of that, the general mandate threshold for new issue of securities will be amended from the existing 10% to not more than 20% of the total number of issued shares.

Resolution 10 pursuant to Section 76 of the Companies Act, 2016

The proposed Resolution 9, if passed, the proposed Resolution 10 is intended to renew the authority granted to the Directors of the Company at the Fifth Annual General Meeting of the Company held on 9 December 2019 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 20% 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 9 December 2019.

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

STATEMENT ACCOMPANYING NOTICE OF THE SIXTH ANNUAL GENERAL MEETING

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

Clause 97

Y. Bhg. Datin Lim Fook Len @ Lim Su Chin
Mr. Lim Hui Kiong
Ms. Phang Sze Fui

Clause 104

Y. Bhg. Tan Sri Datuk Seri Panglima Richard Malanjum

The profiles of the Directors who are standing for re-election is set out on pages 12, 14, 16 and 17 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 2020 are disclosed in the respective profiles of the Directors.
3. The details of the Sixth Annual General Meeting are as follows:

Date of Meeting	Time of Meeting	Place of Meeting
Monday, 21 December 2020	9.00 a.m.	Meeting Room, Lot 73, Jalan Kilang, Sedco Light Industrial Estate, Mile 5 1/2, Jalan Tuaran, 88450 Kota Kinabalu, Sabah

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FORM OF PROXY

KIM TECK CHEONG CONSOLIDATED BERHAD

Registration No. 201401037782 (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)
(name of proxy as per NRIC, in capital letters)

_____ (Old) of _____
(full address)

or failing of him/her the Chairman of the meeting as my/our proxy to vote on my/our behalf at the Sixth Annual General Meeting of the Company to be held at Meeting Room, Lot 73, Jalan Kilang, Sedco Light Industrial Estate, Mile 5 1/2, Jalan Tuaran, 88450 Kota Kinabalu, Sabah on Monday, 21 December 2020 at 9.00 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 Resolution		For	Against
1	To approve the following payments to Non-Executive Directors: Directors' fees of RM260,160 for the financial year ended 30 June 2020		
2	To approve the following payments to Non-Executive Directors: Directors' fees of up to RM260,160 from 1 July 2020 up to the next Annual General Meeting of the Company to be held in 2021		
3	To approve the following payments to Non-Executive Directors: Meeting allowance of RM40,000 from 1 July 2020 up to the next Annual General Meeting of the Company to be held in 2021		
4	Re-election of Director – Y. Bhg. Datin Lim Fook Len @ Lim Su Chin		
5	Re-election of Director – Mr. Lim Hui Kiong		
6	Re-election of Director – Ms. Phang Sze Fui		
7	Re-election of Director – Y. Bhg. Tan Sri Datuk Seri Panglima Richard Malanjum		
8	To re-appoint Messrs. PKF Malaysia as the Auditors and to authorise the Board of Directors to fix their remuneration		
9	Authority to Issue Shares Pursuant to Section 76 of the Companies Act, 2016		
Special Resolution			
To approve the amendment of the Clause 15 of the Constitution of the Company			

Dated this _____ day _____ 2020

CDS ACCOUNT NO.	NUMBER OF SHARES HELD

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

	Percentage
Proxy 1	%
Proxy 2	%
Total	100%

Signature/Common Seal

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NOTES A:

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 24 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 15 December 2020 (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.

NOTE B:

Please be informed that in the event the Movement Control Order is extended, the Company will make the necessary announcements on the details of the virtual meeting on the company's website at <https://kimteckcheong.com/> accordingly.

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stamp

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

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www.kimteckcheong.com

Kim Teck Cheong Consolidated Berhad

[Registration No. 201401037782 (1113927-H)]



Lot 73, Jalan Kilang, SEDCO Light Industrial Estate,
Mile 5 1/2, Jalan Tuaran, 88450 Kota Kinabalu, Sabah, Malaysia.



T : +6013 811 0111



F : +6088 422 011



E : info@kimteckcheong.com

