



TEK SENG HOLDINGS BERHAD
(579572-M)



**DEDICATION TO
INNOVATIVE SOLUTIONS**

Annual Report 2017



Rationale

Dedication to Innovative Solutions

Creating better products and providing dedicated services are ones of many great missions Tek Seng Holdings Bhd. has been striving to achieve. By leveraging its talents and knowledge in both the PVC and solar industries, Tek Seng Holdings Bhd. generates innovative breakthrough that will benefit the customers it proudly serves. The visual indicates that Tek Seng Holdings Bhd. redirects its focus on the PVC business considering a greater potential to capture bigger market share. Dedicated to providing innovative engineering solutions in addition to its solar business, Tek Seng Holdings Bhd. is aspired to be a prominent leader that provides competitive values in the PVC industry.

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Corporate Profile



About Us

Tek Seng Holdings Berhad ("Tek Seng" or "the Company") was incorporated in Malaysia under the Companies Act, 1965 on 10 May 2002 as a private limited company under the name of Tek Seng Holdings Sdn. Bhd.. On 16 May 2003, it was converted to a public limited company and assumed its present name. Tek Seng was listed on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities") on 2 November 2004. On 22 September 2006, Tek Seng was successfully transferred from the Second Board to the Main Board of Bursa Securities.

Tek Seng is an investment holding company. Its subsidiaries are principally involved in the manufacturing and trading of PVC related and non-woven related products, the manufacturing, designing, developing, exporting, importing and sales of photovoltaic products, solar cells, solar panels, solar modules and solar related products.

The Group (Tek Seng and its subsidiaries) has a track record of more than 30 years in the plastics industry with the late Loh Phah Seng @ Loh Boon Teik as the original founder until 1989, when Loh Kok Beng, his eldest son took over the management of the business.





Board of Directors

Mr. Loh Kok Beng

Executive Chairman

Mr. Loh Kok Cheng

Managing Director

Mdm. Loh Joo Eng

Executive Director

Mr. Loh Eng Chun

Executive Director

Mr. Leow Chan Khiang

Independent Non-Executive Director

Dr. Kamarudin Bin Ngah

Independent Non-Executive Director

Tuan Haji Mohamed Haniffah

Bin S.M. Mydin

Independent Non-Executive Director

Audit & Risk Management Committee

Mr. Leow Chan Khiang (Chairman)

Independent Non-Executive Director

Dr. Kamarudin Bin Ngah

Independent Non-Executive Director

Tuan Haji Mohamed Haniffah

Bin S.M. Mydin

Independent Non-Executive Director

Remuneration Committee

Dr. Kamarudin Bin Ngah (Chairman)

Independent Non-Executive Director

Mr. Leow Chan Khiang

Independent Non-Executive Director

Tuan Haji Mohamed Haniffah

Bin S.M. Mydin

Independent Non-Executive Director

Nominating Committee

Tuan Haji Mohamed Haniffah

Bin S.M. Mydin (Chairman)

Independent Non-Executive Director

Dr. Kamarudin Bin Ngah

Independent Non-Executive Director

Mr. Leow Chan Khiang

Independent Non-Executive Director



Company Secretaries

Mr. Lee Peng Loon (MACS 01258)

Ms. P'ng Chiew Keem (MAICSA 7026443)

Registered Office

51-21-A, Menara BHL Bank
Jalan Sultan Ahmad Shah, 10050 Penang
Telephone No: (04) 210 8833
Facsimile No : (04) 210 8831

Share Registrar

Plantation Agencies Sdn. Berhad (2603-D)
3rd Floor, 2 Lebuhr Pantai
10300 George Town Penang
Telephone No: (04) 262 5333
Facsimile No : (04) 262 2018
Email : sharereg@plantationagencies.com.my

External Auditors

BDO (AF0206)
Chartered Accountants
51-21-F, Menara BHL
Jalan Sultan Ahmad Shah, 10050 Penang

Principal Bankers

AmBank (M) Berhad (295576-U)
Citibank Berhad (297089-M)
Hong Leong Bank Berhad (97141-X)
Malayan Banking Bhd (3813-K)
OCBC Bank (Malaysia) Berhad (295400-W)
Public Bank Berhad (6463-H)
United Overseas Bank (Malaysia) Bhd (271809-K)

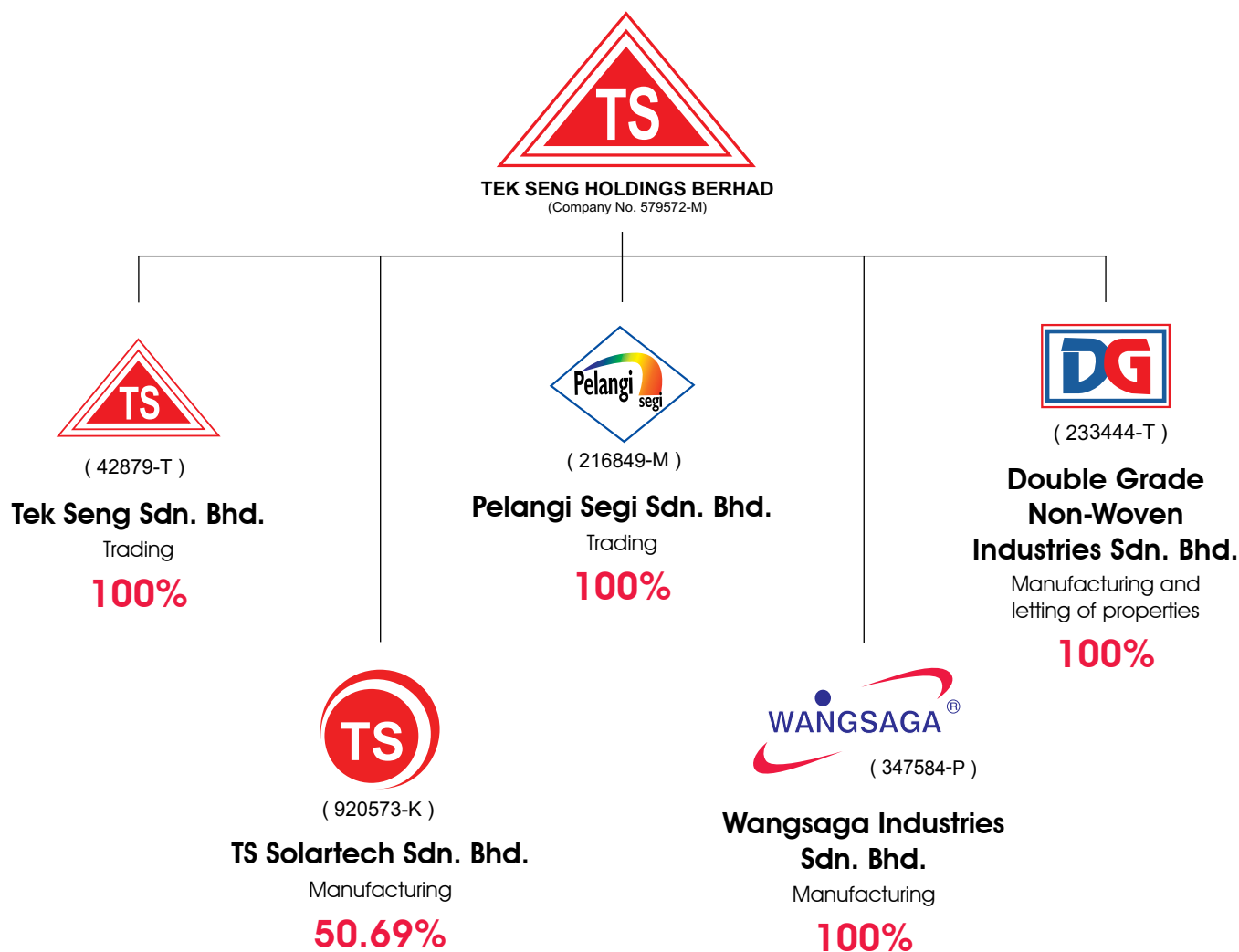
Solicitors

Salina, Lim Kim Chuan & Co.
Advocate & Solicitor (Corporate Division)
9-9 Livingston Tower
170, Jalan Argyll, 10400 George Town, Penang

Stock Exchange Listing

Bursa Malaysia Securities Berhad
Main Market
Stock Name : TEKSENG
Stock Code : 7200
Warrant Name: TEKSENG-WA
Warrant Code : 7200WA

Corporate Structure



Board of Directors



From left to right

- 1 Mr. Leow Chan Kiang**
Independent Non-Executive Director
- 2 Mr. Loh Kok Cheng**
Managing Director
- 3 Tuan Haji Mohamed Haniffah Bin S.M. Mydin**
Independent Non-Executive Director

- 4 Mr. Loh Kok Beng**
Executive Chairman
- 5 Mr. Loh Eng Chun**
Executive Director
- 6 Mdm. Loh Joo Eng**
Executive Director
- 7 Dr. Kamarudin Bin Ngah**
Independent Non-Executive Director

Directors' Profile



Mr. Loh Kok Beng

52 / Malaysian / Male
Executive Chairman

Mr. Loh Kok Beng was appointed as a Director of Tek Seng on 16 August 2004. He is currently responsible for the Group financial and administrative affairs, and development of the strategic business plans for the Group.

He graduated from Han Chiang High School in 1984 with Sijil Pelajaran Malaysia and has approximately 33 years of working experience in the PVC based industry and 6 years in Solar based industry particularly in PVC calendaring, printing, lamination and solar photovoltaic.

He does not have any directorship in other public companies and listed corporations.

He is the brother of Mr. Loh Kok Cheng, a Director and major shareholder and Mdm. Loh Joo Eng, a director of the Company and father of Mr. Loh Eng Chun, who is also a Director of the Company. He does not have any conflict of interest in any business arrangement involving the Company except as disclosed in the Financial Statements.

He attended all five Board Meetings held during the financial year ended 31 December 2017.

Mr. Loh Kok Cheng was appointed as a Director of Tek Seng on 16 August 2004.

He graduated from Chung Ling High School in 1985 and has 28 years of experience in plastics industry and 6 years in solar industry. He is responsible for the operations of sales and marketing divisions and expansion of the overseas market for the Group.

He does not have any directorship in other public companies and listed corporations.

He is the brother of Mr. Loh Kok Beng, a Director and major shareholder and Mdm. Loh Joo Eng, a director of the Company and uncle of Mr. Loh Eng Chun, who is also a Director of the Company. He does not have any conflict of interest in any business arrangement involving the Company except as disclosed in the Financial Statements.

He attended all five Board Meetings held during the financial year ended 31 December 2017.



Mr. Loh Kok Cheng

51 / Malaysian / Male
Managing Director



Mdm. Loh Joo Eng

58 / Malaysian / Female
Executive Director

Mdm. Loh Joo Eng was appointed as a Director of Tek Seng on 16 August 2004.

She graduated from Penang Chinese Girls' High School in 1978 with Malaysia Certificate of Education. She is responsible for the daily operations and procurement of raw materials for the Group. She has more than 33 years of experience in PVC based industry.

She does not have any directorship in other public companies and listed corporations.

She is the sister of Mr. Loh Kok Beng and Mr. Loh Kok Cheng, who are the Directors and major shareholders and aunty of Mr. Loh Eng Chun, a Director of the Company. She does not have any conflict of interest in any business arrangement involving the Company except as disclosed in the Financial Statements.

She attended all five Board Meetings held during the financial year ended 31 December 2017.

Dr. Kamarudin Bin Ngah was appointed as a Director of Tek Seng on 16 August 2004.

He holds a Doctorate of Philosophy in Development and Planning. He was with Malayan Banking Berhad from June 1984 to June 1985 as a sub-Accountant 1. He was a Councilor for Seberang Perai Municipality Council from 1999 to 2001. He was a Researcher with the Centre of Policy Research, University Sains Malaysia from July 1986 to August 2013. He is presently a Professor at School of Government, College of Law, Government and International Studies (COLGIS), Universiti Utara Malaysia (UUM) and also a director of Institute of Local Government Studies, UUM.

He does not have any directorship in other public companies and listed corporations.

He does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company.

He attended four out of five Board Meetings held during the financial year ended 31 December 2017.

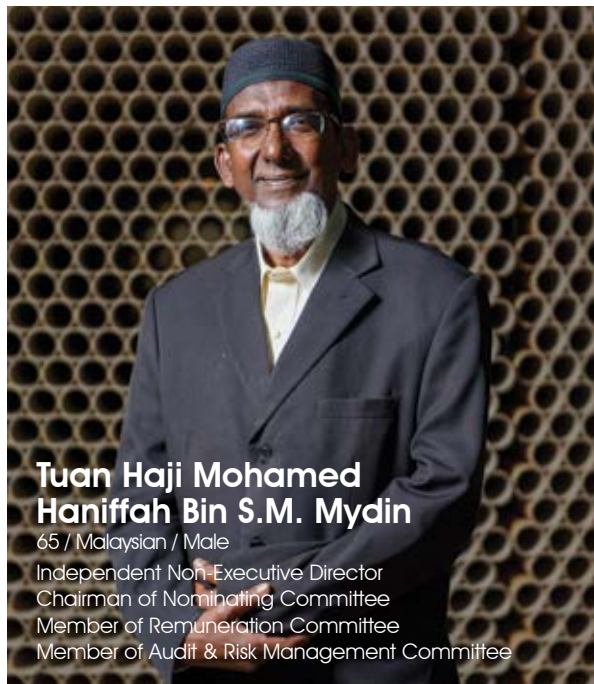


Dr. Kamarudin Bin Ngah

58 / Malaysian / Male

Independent Non-Executive Director
Chairman of Remuneration Committee
Member of Audit & Risk Management Committee
Member of Nominating Committee

Directors' Profile (Cont'd)



Tuan Haji Mohamed Haniffah Bin S.M. Mydin

65 / Malaysian / Male

Independent Non-Executive Director
Chairman of Nominating Committee
Member of Remuneration Committee
Member of Audit & Risk Management Committee

Tuan Haji Mohamed Haniffah Bin S.M. Mydin was appointed as a Director of Tek Seng on 16 October 2006.

He graduated from Katholik University of Leuven, Belgium with a Master of Business Administration. He started his career as an officer in Koperasi Usaha Bersatu Malaysia Bhd in March 1981 and later was promoted to Assistant Manager. In January 1983, Tuan Haji Mohamed Haniffah was seconded to JUB Credit & Leasing Sdn. Bhd. as a General Manager where he was in charge of the credit & leasing operations. He left JUB Credit & Leasing Sdn. Bhd. in March 1985.

In April 1985, Tuan Haji Mohamed Haniffah joined Advanced Electronics (M) Sdn. Bhd. ("AESB"), a wholly-owned subsidiary of Idris Hydraulic (Malaysia) Bhd as a Senior Manager. He was later promoted to the position of Group General Manager. Tuan Haji Mohamed Haniffah was responsible for an array of business portfolios including the restructuring exercise, strategic planning, business development and financial matters of AESB.

In November 1995, Tuan Haji Mohamed Haniffah left AESB and ventured into his own business. Shortly, he joined Instangreen Corporation Bhd which was under the Corporate Debt Restructuring Committee as the Chief Operating Officer. He was involved in the financial and business restructuring of Instangreen Corporation Bhd until it was re-floated under its new name of LBS Bina Bhd.

Tuan Haji Mohamed Haniffah re-joined AESB Group in August 1999 to re-strategise the consumer home electrical business. In early 2005, he partnered with a senior officer of AESB's holding company, jointly acquired

the entire group of AESB under a Management Buy-Out Scheme. AESB was later sold to a third party where he resigned as the Chief Executive Officer of AESB in July 2006.

He is an independent Director of Perbadanan Usahawan Nasional Berhad.

He does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company.

He attended all five Board Meetings held during the financial year ended 31 December 2017.

Mr. Leow Chan Khiang was appointed as a Director of Tek Seng on 01 July 2017.

He is a Fellow Member of the Association of Chartered Certified Accountants and a Chartered Accountant with the Malaysian Institute of Accountants. He obtained a Bachelor degree in Economics from the University of Malaya in 1990 and a Master's degree in Business Administration from Universiti Utara Malaysia in 1999.

Mr. Leow began his career in 1991 as an executive in Hong Leong Bank Berhad and was promoted to assistant manager in 1994. In 1996, he left Hong Leong Bank Berhad and joined Malaysian International Merchant Bankers Berhad as an assistant manager where he was responsible for various corporate fund raising exercises as well as general advisory work until 2001. Subsequently, he joined a logistic company until 2002. In 2002, he joined CAB Cakaran Corporation Berhad ("CAB") as a director of corporate finance, and subsequently, was appointed as an executive director in 2003 where he was responsible for corporate planning, accounting and tax as well as joint-venture matters. He resigned from his position as an executive director of CAB in 2007 and was appointed to the board of SLP Resources Berhad as Non-Independent Non-Executive Director in the same year.

Currently, he sits on the Board of SLP Resources Berhad as an Non-Independent Non-Executive Director. He also sits on the Board of Ni Hsin Resources Berhad and Salutica Berhad as an Independent Non-Executive Director, all of which are companies listed on Bursa Malaysia Securities Berhad.

He does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company.

He attended two out of five Board Meetings held during the financial year ended 31 December 2017.



Mr. Leow Chan Khiang

52 / Malaysian / Male

Independent Non-Executive Director
Chairman of Audit & Risk Management Committee
Member of Remuneration Committee
Member of Nominating Committee

Directors' Profile (Cont'd)



Mr. Loh Eng Chun was appointed as a Director of Tek Seng on 13 January 2015.

He graduated from University of Melbourne with a Bachelor of Commerce in Business Management and Marketing.

After completed his tertiary education, he began his career as an executive in a property development company listed on the Main Market of Bursa Malaysia Securities Berhad where he was involved in product positioning strategy, presentations and property sales operation. Subsequently, he joined the property division of another Malaysian public company which is listed since 1964 with diverse business interests ranging from healthcare, automobile, financial services, plantation to property business and development.

Currently, he is attached with Tek Seng Group in which his primary responsibility entails the Public Relations tasks in strategising and implementing revenue enhancement initiatives for the Group's businesses including the Investor Relations functions of the Group.

He does not have any directorship in other public companies and listed corporations.

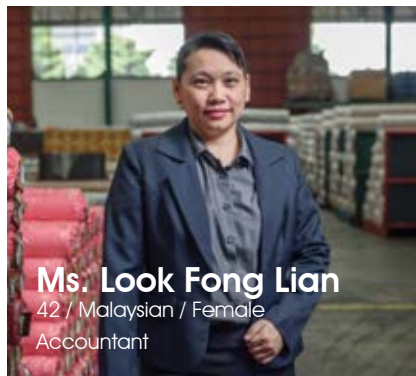
He is the son of Mr. Loh Kok Beng, the Executive Chairman and major shareholder of the Company and nephew of Mr. Loh Kok Cheng, the Managing Director and major shareholder and Mdm. Loh Joo Eng, a Director of the Company.

He attended all five Board Meetings held during the financial year ended 31 December 2017.



Mr. Loh Eng Chun
27 / Malaysian / Male
Executive Director

Key Management Team



Ms. Look Fong Lian
42 / Malaysian / Female
Accountant

Ms. Look Fong Lian obtained her professional accounting qualification from University of Putra Malaysia with a Bachelor of Accountancy in 2001. She has been with the Group since 2003, starting off as an account executive. Over the years, she has been involved in the preparation of group financial statements, review of financial performance, budgeting and taxation. She was appointed to the position of Accountant on 27 February 2006 handling mainly the Group's corporate finance and accounting matters. She is a member of Malaysian Institute of Accountants (MIA).

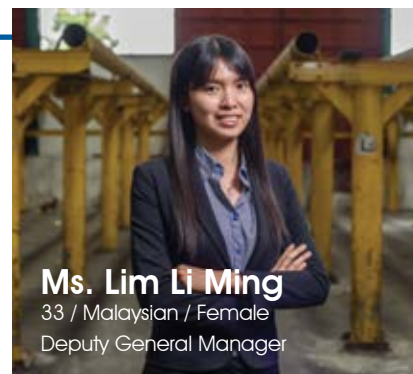
She does not have any directorship in other public companies and listed corporations.

She does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company.

Ms. Lim Li Ming graduated from Sheffield Hallam University with a Bachelor Degree in Accounting and Finance in 2007 and completed her professional degree (ACCA) in year 2011. She has more than 10 years experience in accounting, auditing and taxation by serving in Big Four accounting firm. She was appointed to the position of Deputy General Manager on 29 September 2015. Currently, she is responsible for the daily operation, financial and administrative affairs of TS Solartech Sdn. Bhd.

She does not have any directorship in other public companies and listed corporations.

She does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company.



Ms. Lim Li Ming
33 / Malaysian / Female
Deputy General Manager

Conviction of Offences

None of the Directors and key senior management have been convicted for offences within the past 5 years or any public sanction or penalty imposed by the regulatory bodies during the financial year other than traffic offences.

Directors' Shareholdings

The details of the Directors' shareholdings in the Company are set out under the Statistics on Shareholdings in page 84 of this Annual Report.

Financial Highlights

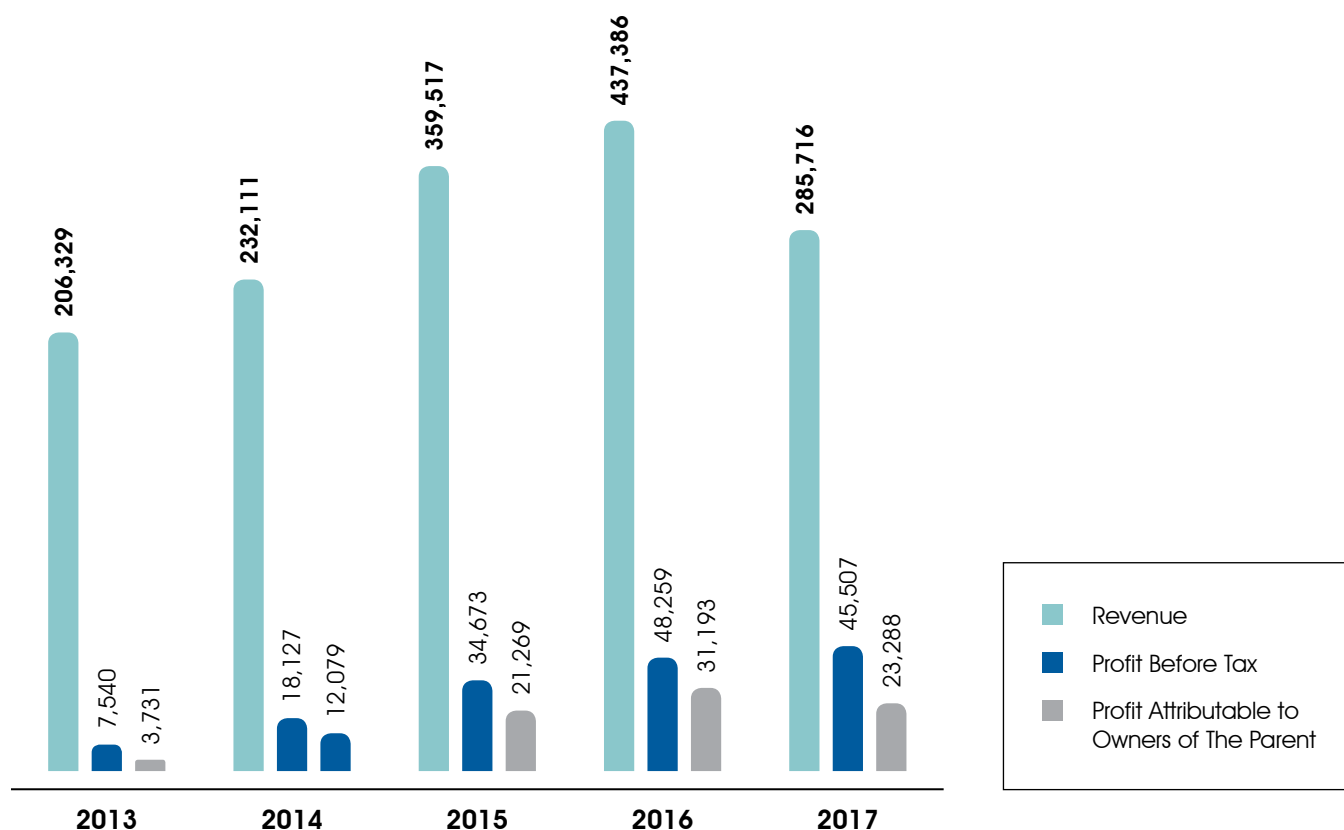
	2017	2016	2015	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	285,716	437,386	359,517	232,111	206,329
Profit Before Tax	45,507	48,259	34,673	18,127	7,540
Profit Attributable to Owners of The Parent	23,288	31,193	21,269	12,079	3,731
Total Assets	436,179	544,042	476,842	301,791	253,798
Total Liabilities	47,800	186,408	188,798	139,811	123,054
Shareholders' Funds	256,293	236,486	175,110	123,109	123,790
Performance Indicators					
Earnings Per Share (Sen)	6.69 [@]	9.72 [#]	8.51 [*]	5.03	1.55
Dividend Per Share (Sen)	2.00	3.00	2.00	1.00	0.00
Dividend Per Share (%)	8.00	12.00	8.00	4.00	0.00
Net Assets Per Share (RM)	0.74	0.68	0.66	0.51	0.52
Net Gearing Ratio (Times)	0.00	0.25	0.60	0.44	0.60
Return on Equity (%)	13.35	16.66	16.37	9.25	1.43

[@] Based on 348,130,744 weighted average number of ordinary shares as at financial period ended 2017.

[#] Based on 320,844,311 weighted average number of ordinary shares as at financial period ended 2016.

^{*} Based on 249,961,444 weighted average number of ordinary shares as at financial period ended 2015.

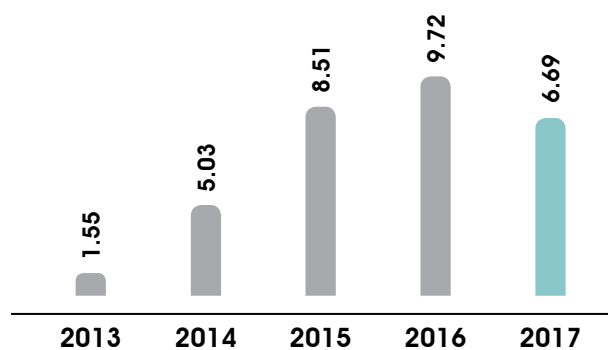
GROUP FINANCIAL RESULTS (RM'000)



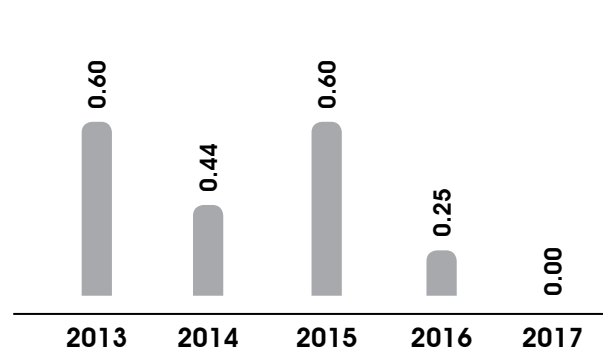
Financial Highlights (Cont'd)



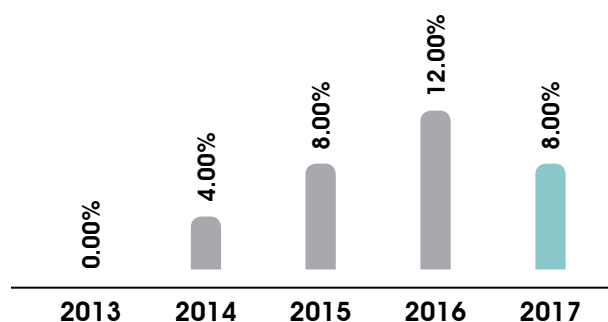
EARNINGS PER SHARE (SEN)



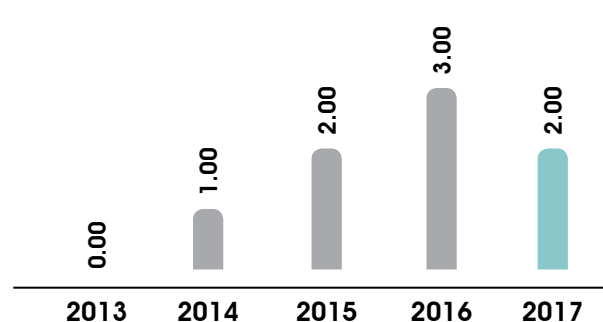
NET GEARING RATIO (TIMES)



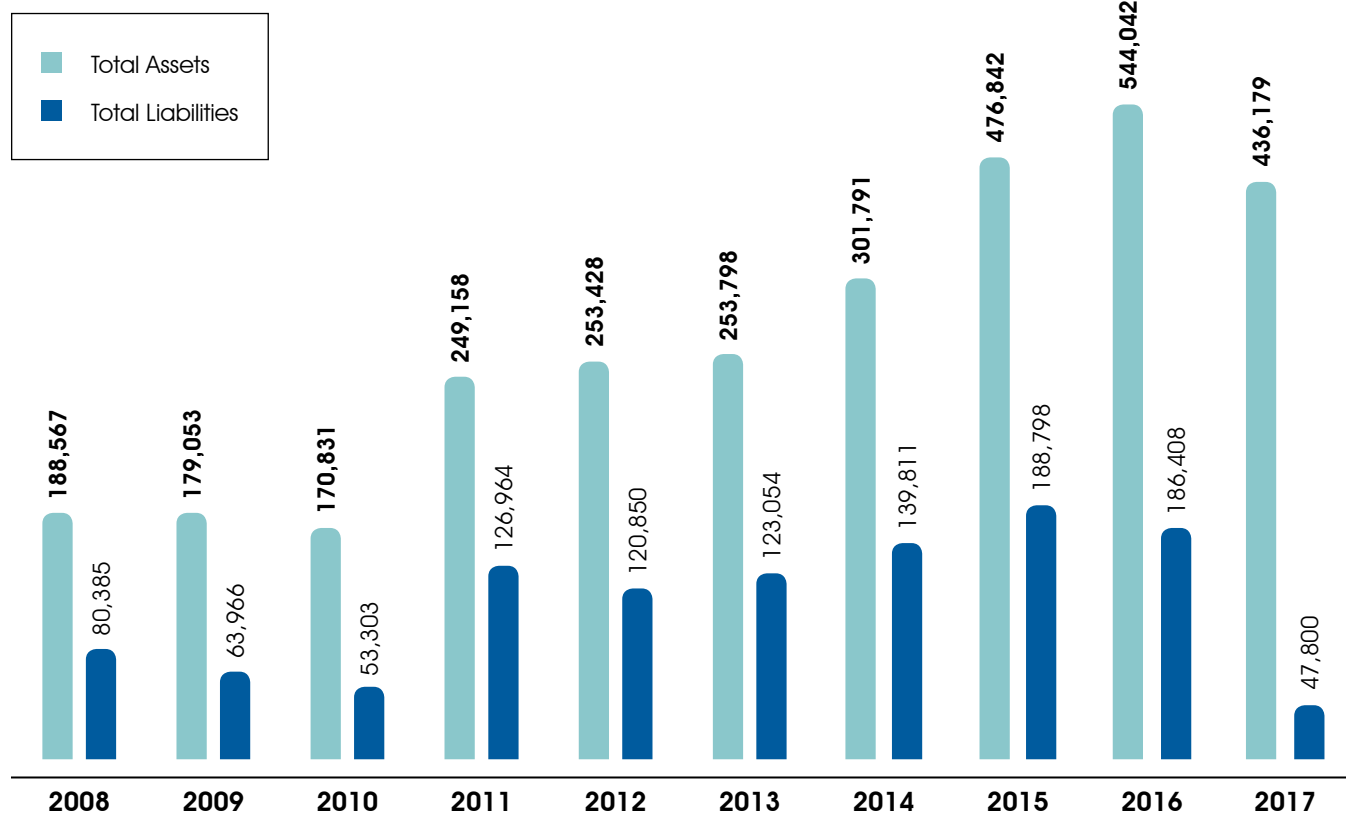
DIVIDEND PER SHARE (%)



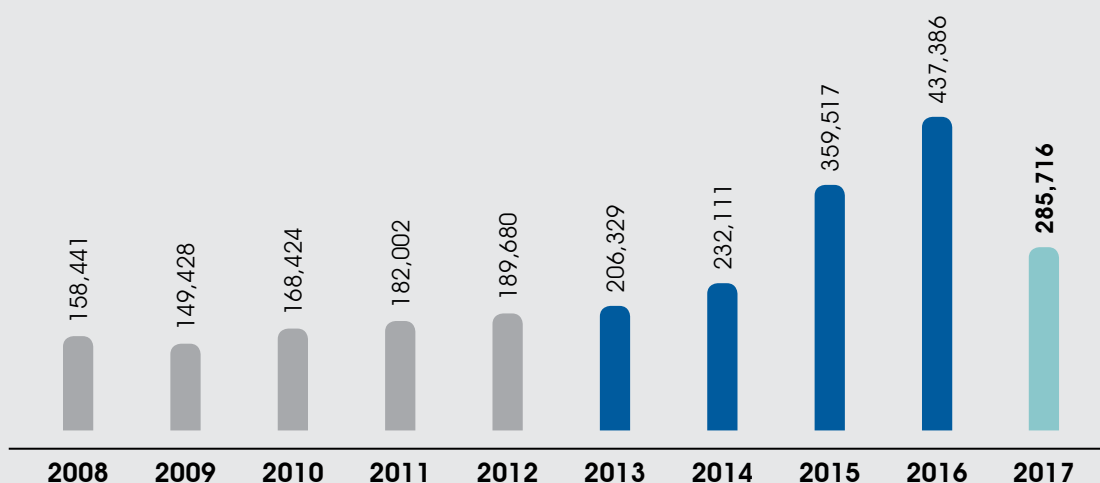
DIVIDEND PER SHARE (SEN)



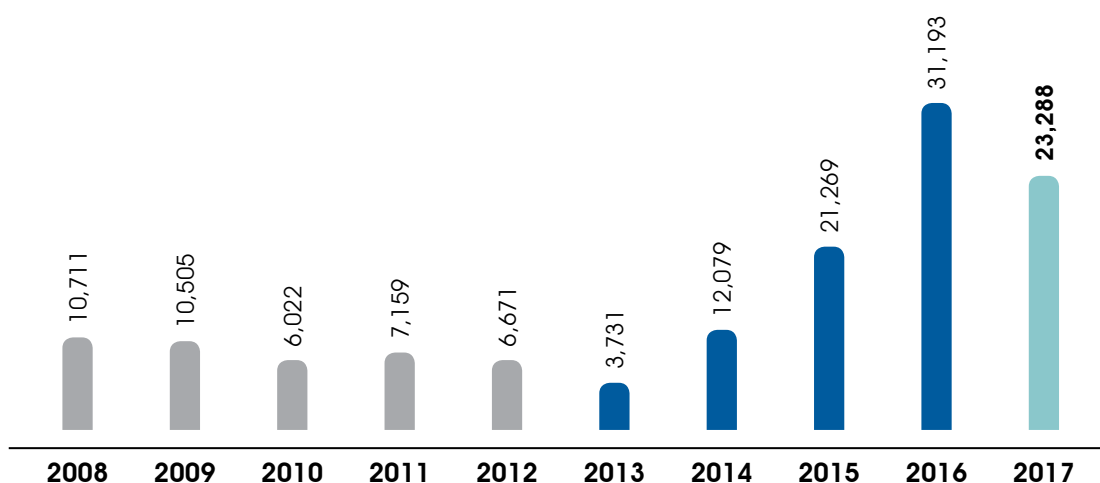
GROUP FINANCIAL RESULTS (RM'000)



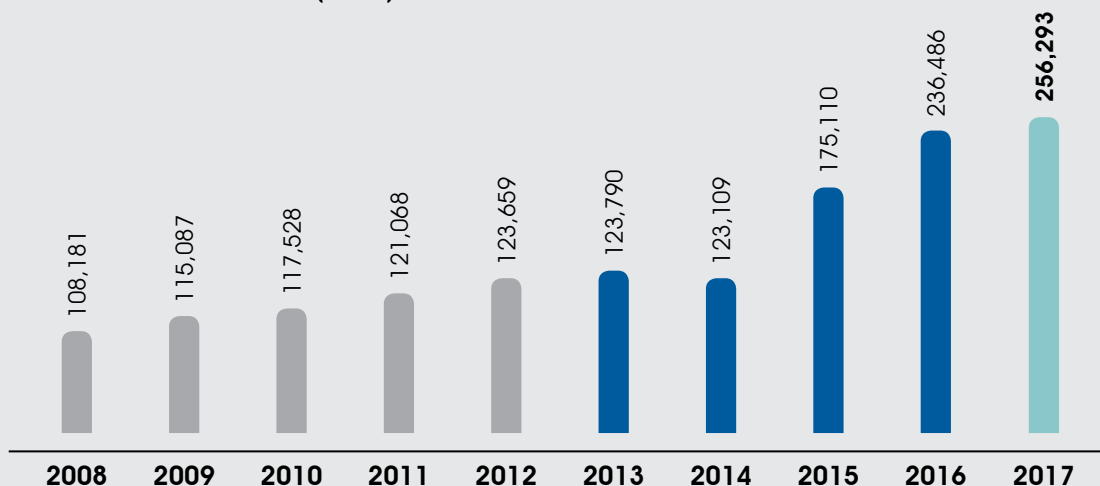
10 YEARS OF REVENUE GROWTH (RM'000)



PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT (RM'000)



SHAREHOLDERS' FUNDS (RM'000)



Management Discussion and Analysis



Introduction

The following Management Discussion and Analysis ("MD&A") provides an analysis of the financial performance of Tek Seng Holdings Berhad ("the Company") and its subsidiaries (collectively referred to as "the Group") for the financial year ended 31 December 2017 ("FYE 2017"). The MD&A contains commentary from the Management on the performance of the Group and of the Company, key business strategies, risks and future prospect of the Group.

The MD&A should be read in conjunction with the audited financial statements of the Group and of the Company in this Annual Report.

Operation and Business Review

The Company is an investment holding company. The Group operates through four (4) segments: polyvinyl chloride ("PVC") sheeting segment, which is engaged in manufacturing and trading of PVC sheeting, parts for industrial and consumer use; PP Non-Woven segment, which manufactures and trades of PP Non-Woven related products; PVC leather segment, which undertakes trading of PVC leather related products, and Photovoltaic Solar segment which manufactures solar cells, solar panels, solar modules and solar-related products.

The Group has three (3) manufacturing facilities of which two (2) are located in Bukit Minyak Industrial Estate and one (1) facility located at Science Park with both division locating in Penang state, Malaysia.

Our over 30 years of track record in PVC based industry have served as a concrete platform for our presence in this industry globally. Our product quality and reputable customer service have also aided us to expand our customer base to more than 450 customers and across different continents. The Group possess the ability to manufacture PVC sheeting to suit its customers' product requirements in terms of PVC design and colour. Having over 400 designs and products type, we are looking at more customer oriented business operations as well as venturing into new PVC product which will be suitable for industrial use and also properties sectors.

Financial Performance

The table below highlights the Group's key financial performance for FYE 2017:

	2017 (RM'000)	2016 (RM'000)	Changes (RM'000)
Revenue	285,716	437,386	(151,670)
Finance Costs	357	1,388	(1,031)
Other Operating Income	74,603	20,029	+ 54,574
Gross Profit	4,110	55,673	(51,563)
Gross Profit Margin (%)	1.44	12.73	(11.29)
Profit Before Tax	45,507	48,259	(2,752)
Profit Before Tax Margin (%)	15.93	11.03	+ 4.90
Profit After Tax	34,225	39,407	(5,182)
Profit After Tax Margin (%)	11.98	9.01	+ 2.97

Management Discussion and Analysis (Cont'd)

Revenue

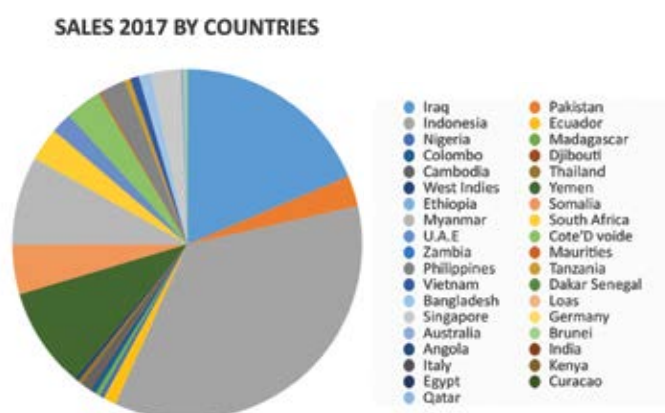
For the FYE 2017, the Group recorded revenue of RM285.72 million, representing a decrease of RM151.67 million or approximately 34.68% as compared to RM437.39 million in the preceding year ended 31 December 2016 ("FYE 2016"). The Group's sales by segments and markets are summarised as follows:

Sales	2017				2016			
	PVC (RM'000)	SOLAR (RM'000)	TOTAL (RM'000)	%	PVC (RM'000)	SOLAR (RM'000)	TOTAL (RM'000)	%
Export	79,593	114,423	194,016	67.91	90,578	247,060	337,638	77.19
Local	88,126	3,574	91,700	32.09	92,322	7,426	99,748	22.81
Total	167,719	117,997	285,716	100.00	182,900	254,486	437,386	100.00

The Group's photovoltaic solar segment recorded a significant decrease in sales to RM118.0 million, down by RM136.5 million or 53.6% from RM254.5 million in FYE2016. This was mainly attributed to lower sales of solar cells, solar panels, solar modules and solar-related products due to slower global demand. For the PVC segments, the Group recorded a smaller decrease in sales to RM167.7 million, down by RM15.2 million or 8.3% from RM182.9 million in FYE2016. During FYE 2017, the Group faced with even more tense competition from other PVC importers, especially China, Thailand and Vietnam.

For FYE 2017, export market accounted 67.91% of the Group's revenue while the remaining 32.09% is from local market. The main export market for PVC segment is Indonesia which accounted 35.78% and solar cells are mainly shipped to the Asia (more than 80%). Hence, the market sentiment in the global economy plays an important role in our business operations.

The Group's sales breakdown by countries for PVC products is as follows:



The Group's sales breakdown by countries for photovoltaic solar products is as follows:



Other Operating Income

The Group's other operating income increased from RM20.03 million in FYE 2016 to RM74.60 million in FYE 2017. This was largely due to compensation arose from the agreed payment of damages or liquidated damages by a customer who had failed to load minimum order quantity of solar cells to TS Solartech Sdn Bhd ("TSST"), a subsidiary of the Company pursuant to the terms and conditions of a manufacturing and supply of solar cell contract dated 8 October 2015 between TSST and the said customer. In addition, the disposal of a solar cell production line had also resulted in a gain on disposal of RM7.19 million in FYE 2017.



Operating Expenses

The Group's staff costs decreased by RM8.09 million or 22.97% from RM35.20 million in FYE 2016 to RM27.11 million in FYE 2017. This was principally due to the restructuring of staff cost structure for solar segment. In FYE 2017, the Group recognised impairment loss on property, plant and equipment of the solar segment of RM4.07 million. The impairment was due to the shortfall between the carrying amount and the recoverable amount of the factory building occupied by the Group's solar segment. The recoverable amount was based on the use of external independent valuation expertise. The utility expenses decreased by RM5.52 million or 22.92% from RM24.08 million to RM18.56 million. The decrease of production lines and outputs were the main cause for the lower utility expenses.

Profit After Tax

In FYE 2017, the Group recorded profit after tax ("PAT") of RM34.23 million which was largely contributed by higher other operating income of RM74.60 million as explained above. Although the Group's solar segment recorded gross loss in FYE 2017, the Group was still managed to turn sustainable profit before tax and margin of RM45.51 million or 15.93% respectively.

Financial Position

	2017 (RM'000)	2016 (RM'000)	Changes (RM'000)
Total Assets	436,179	544,042	(107,863)
Total Liabilities	47,800	186,408	(138,608)
Shareholders' Equity	256,293	236,486	19,807
Total Equity	388,378	357,634	30,744
Total Borrowings	0	58,348	(58,348)
Cash and Bank Balances	10,301	4,810	5,491
Issued and Fully Paid Capital ('000)	111,868	87,032	24,836
Share Premium	0	24,835	(24,835)
Net Asset Per Share (RM)	0.74	0.68	+ 0.06
Basic Earnings Per Share (sen)	6.69	9.72	(3.03)
Dividend Per Share (sen)	2.00	3.00	(1.00)

Assets

Trade and Other Receivables

The Group's trade and other receivables as at end of FYE 2017 decreased by RM20.93 million or 38.45% to RM33.50 from RM54.43 in FYE 2016. This is mainly due to settlement of other receivable upon termination of an agreement with a third party.

Inventories

The Group's inventories stood at RM55.61 million at as the end of FYE 2017 from RM75.18 million at as the end of FYE 2016. The lower level of inventories was in line with lower amount of revenue in FYE 2017.

Cash and Bank Balances

The Group's bank balances as at the end of FYE 2017 increased by 114.14% to RM10.30 million from RM4.81 million as at the end of FYE 2016. This was largely due to lower amount of working capital for inventories holding in solar division and reduction of capital expenditure for the FYE.

Management Discussion and Analysis (Cont'd)

Liabilities

Trade and Other Payables

The Group's trade and other payables decreased significantly by 76.21% to RM27.71 million as at 31 December 2017 as compared to RM116.48 million as at 31 December 2016. This was mainly due to advance payments received from a third party customer of the Group have been waived during the year.

Borrowings

The Group's borrowings decreased by 100% from RM58.35 million in previous financial year to Nil as at the end of FYE 2017 after the disposal of a solar cell production line back to the supplier under hire purchase arrangement upon mutual consent to cease the production of this particular production line. Other than that, term loan was fully settled in FYE 2017.

Capital Structure and Capital Resources

As at 31 December 2017, our shareholders' equity stood at RM256.29 million as compared with RM236.49 million as at the end of the previous financial year. Paid up capital of RM111.87 million as at 31 December 2017, showed an increase of RM24.83 million over the last financial year. This was mainly due to the transfer of share premium account of RM24.83 million to the share capital account pursuant to the transitional provisions set out in Section 618(2) of the Companies Act, 2016.

The Group's financial position remains positive with zero bank borrowings as at FYE 2017. The Group's net assets per share improved to RM0.74 as at the end of FYE 2017 (FYE 2016: RM0.68 per share). The Group's basic earnings per share stood at RM0.07 as at the end of FYE 2017 as compared to RM0.10 per share as at the end of FYE 2016 due to higher weighted average number of share capital in FYE 2017.

Risks, strategies and outlook

The Group's diversification into the photovoltaic solar business since 2011 has exposed the Group with new opportunities as well as new challenges. The challenges include amongst others, changes in technology in the manufacture of solar cells, changes in government policies in Malaysia and other importing countries affecting the solar energy industry, and stiffer price competition among manufacturers of solar cells in other countries.

The Group seeks to mitigate these risks by leveraging on the experience and marketing networks of its business partners who have been in this business for many years. The Group's key management staff are also being sent for training in order for them to keep abreast with the latest technology and development in the solar energy industry for long term sustainability and growth.

As for the Group's PVC business, the Group remains as one of the leading PVC vinyl and sheeting producers in Malaysia. The Group would continue to innovate and penetrate into a different segment of the vinyl flooring market and with the enhancement of our product offerings to further strengthen our position in Malaysia as well as in other export markets particularly in Indonesia.

Premised the above, the prospect for the Group in FYE 2018 will remain to be challenging. However, we are optimistic that the Group's PVC business will continue to expand steadily and provide a steady and stable stream of future income to the Group.

Dividends Shareholders Return

For FYE 2017, the Company has declared and paid a single tier first interim dividend of 1 sen per share on 348,130,962 ordinary shares amounting to RM3,481,309. The Board has recommended a single tier final dividend of 1 sen for the FYE 2017 for shareholders' approval at the forthcoming Annual General Meeting.

Appreciation Note

In closing, I would like to thank my valued shareholders, customers, suppliers, business associates, bankers and all relevant authorities for their continuous support and confidence in the Group. Most importantly I wish to express my sincere appreciation and acknowledgement to the Board of Directors and the employees for their commitment, dedication and contribution in steering the company forward.

Sustainability Statement



The Board of Tek Seng Holdings Berhad is pleased to present its first Sustainability Statement in accordance with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad. This statement describes to our stakeholders our approach to sustainability matters and the measures we have implemented in the financial year ended 31st December 2017 (FY2017).

Tek Seng Group is committed to embed and practice the values of being economically, environmentally and socially responsible as the Group believes its business and long term growth are tied to the Group's ability to manage its material economic, environmental and social (EES) impact.

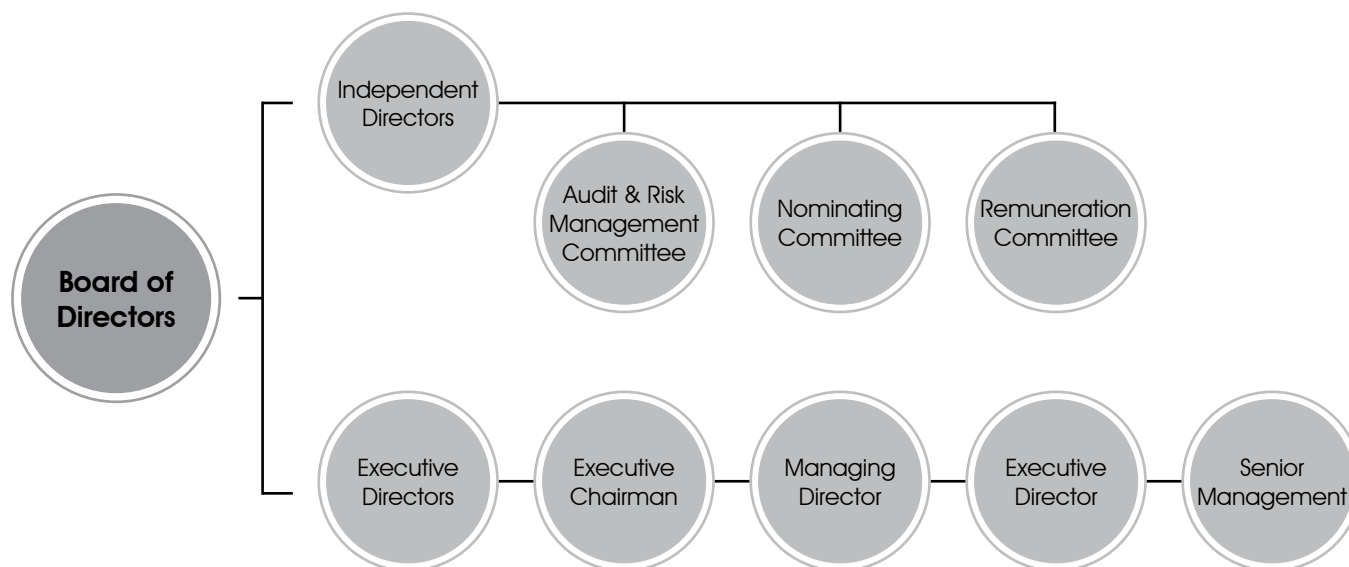
Our sustainability priorities identified in FY2017 are as follows:

ECONOMIC	ENVIRONMENTAL	SOCIAL
a) Product Quality and Services Responsibility b) Ethical Business Conduct	a) Energy and Waste Management	a) Social and Welfare Contributions b) Human Capital Management

SUSTAINABILITY GOVERNANCE STRUCTURE

As part of our commitment towards sustainability, we established a clear governance structure to ensure compliance and performance. All matters relating to sustainability will be evaluated, communicated and resolved by the Executive Directors and Senior Management through discussions and meetings led by the Executive Chairman. The Executive Chairman is tasked to report to the Board of Directors.

Our Sustainability Governance Structure is as follows:



Sustainability Statement (Cont'd)

ECONOMIC

The Group strives to ensure its sustainability business practices to propel in economic growth. The Group continuously seeks improvements in creating values to its suppliers and customers and places high priority in enduring business relationships that are built on trust.

a) Product Quality and Services Responsibility

We had implemented ISO 9001:2008 to ensure a standard and thorough quality management certification for operational control procedures with stringent documentation requirements as assurance of the quality of our products. The Group is in the progress of upgrading its quality management standard to ISO 9001:2015 to ensure improved and more established quality practices and policies. To further strengthen our export market, we have SONCAP certification to meet the quality requirements for our PVC products to be exported to the African region.

In addition to quality management, we had implemented warehouse management system in which all our products are equipped with barcode systems which facilitates products recording, shipping as well as minimising human errors and work flows. These further improve our efficiency and lower our cost as manpower could be optimised and utilised fully.

b) Ethical Business Conducts

As we places high priority on fostering and maintaining our suppliers and customers trust, the Group is committed to uphold good ethical business policies and practices in all aspects of our operations. We also conduct our operations with honesty, integrity and openness and with respect for the human rights and interests of our employees.

Directors and employees of the Group are required to comply with the Code of Business Conducts, a set of guidelines established by the Board to uphold integrity, transparency and ethical practices. The Group has also in place a Whistle Blowing Policy which provides an avenue for employees or stakeholders to communicate matters of concern without being fear of reprisal.

ENVIRONMENTAL

The Group had undertaken various measures and explored feasible opportunities to minimise any adverse impact from our manufacturing operations, waste disposals and products' design and packaging.

a) Energy and Waste Management

The Group had undertaken the following measures to manage its environmental impact:

Solar Division:

- 1) Installation of photovoltaic solar systems on factory rooftop, carparks and facilities area
- 2) Separation of waste materials into various waste bins
- 3) Monitoring our carbon emission by maintaining our facilities at optimum temperature and rate
- 4) Installation of self-closing water faucets on all office toilet basins to minimise water wastage
- 5) Management of waste water through stringent process at waste treatment plant before being reused or discharged into the environment
- 6) Stringent routine maintenances and regular check-ups to prevent emission of gases

PVC Division:

- 1) Recycled and reused all PVC scraps into production to reduce industrial wastes.
- 2) Installation of self-closing faucets on all office toilet basins to minimise water wastage.
- 3) Separation of waste materials into various waste bins
- 4) Stringent routine maintenance and regular check-ups on our boilers to prevent emission of gases and minimise residuals from the burning of kernel shells and charcoals.



SOCIAL

a) Social and Welfare Contributions

We have been consistently cultivating a caring culture to the less fortunate communities by rendering monetary support to various non-profit organisations to improve their living standards and also in an effort to contribute to the local education sector. We also encourage our employees to participate on charitable activities. The non-profit organisations that we had supported and/or participated are as follows:

- i) Rotary Club of George Town,
- ii) The Salvation Army Penang,
- iii) Fo Yi Haemodialysis Society,
- iv) Penang Home For Infirm & Aged,
- v) Monfort Youth Centre
- vi) and other orphanage/handicapped/charitable homes

Being participation in the community events and activities, this also helps to promote and encourage teamwork and compassion towards each other in workplace, thus shaping a sustainable, harmony and healthy working culture in the Group.

b) Human Capital Management

Our staff is our greatest asset as they are the key driving force of our successes and achievements and we are committed to ensure fairness and opportunities regardless their religions, ethnicity, genders, age and nationalities in our work environment.

Training and Development

Trainings and developments of our employees are utmost important to us. The Group held various comprehensive continuous learning and development programmes throughout the year to equip our employees with skills and knowledge relevant to their work functions and to meet the changing needs of our business. We also promote a holistic development of their capabilities.

Health and Safety

The Group also aims to ensure that the health, safety and welfare of our employees are well taken care of. Thus, the Group is constantly reviewing its workplace and policies to ensure a safe and conducive working environment. The Group forms an Environmental, Safety & Health committee to carry out inspection regularly to ensure the Group complies with Occupational Safety and Health (Safety and Health Committee) Regulation 1996. In addition, Group has been providing above the basic safety facilities and equipment to further protect health and well-being of our employees.

The Group had carried out various trainings such as safety drills such as fire and evacuation, preventive and first aid training, Emergency Response Training (ERT), Introduction to First Aid & CPR during the financial year.

Diversity

The Group does not have a written policy in workplace but we believe that a well-managed diversity will strengthen our knowledge, skills and cross-cultural understanding as well as multi-generational aspects towards a better work-life balance environment, improvement of productivities and performance of the Group.

Currently, 83% of our work force is male in view of the nature of work. Nevertheless, we will consider female recruitments if they are appropriate for the positions. The current ethnicity and age diversity in workplace are as follows:

ETHNICITY				AGE GROUP			
Malay	Chinese	Indian	Others	Below 20	21-30	31-40	Above 40
53%	18%	2%	27%	2%	44%	33%	21%

COMMITMENT TO SUSTAINABILITY

The Group will continue to put its best efforts to practice and utilise sustainable practice on every aspects of its business where possible for the benefits of future generations and remain steadfast in achieving excellence in its corporate responsibility.

The Group's objectives and mission are always revolving around 'go on managing, steady developing, improve environment and redound upon society'.

Corporate Governance Overview Statement

INTRODUCTION

The Board is committed to the Company's shareholders and various stakeholders in promoting good corporate governance culture within the Group in creating and delivering sustainable value and long-term success of the Group's businesses.

This Corporate Governance Overview Statement is prepared in accordance with the Main Market Listing Requirements and the Malaysian Code of Corporate Governance (MCCG) issued by the Securities Commission Malaysia. This statement gives the shareholders an overview of the corporate governance (CG) practices of the Company during the financial year 2017 and it is to be read together with the CG Report which is available at the Company's website www.tekseng.com.my.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

The Board has primary responsibility for the governance and management of the Group, and fiduciary responsibility for the financial and organisational health of the Group. In discharging the fiduciary and leadership functions, the key roles and responsibilities of the Board are as follows:

1. Reviewing and approving material investment, acquisitions and disposals of property, plant and equipment.
2. Reviewing and approving related party transactions.
3. Reviewing the adequacy of the Group's internal control policies.
4. Monitoring compliance with relevant laws & regulations and accounting standards within the corporate and business environment.
5. Reviewing and approving annual financial statements and quarterly financial results.

The Company has a clear distinction and separation of roles between the Executive Chairman and the Managing Director, with division of responsibilities clearly defined in the Board Charter. A copy of the Board Charter is available on the Company's website at www.tekseng.com.my. The Board Charter will be reviewed periodically to ensure it is relevance and compliance. The last review was on 06 April 2018.

The Board of Directors is chaired by Mr. Loh Kok Beng, whose responsibility is to ensure Board effectiveness, implementation of Board's policies and decisions, corporate affairs and the overall financial performance of the Group.

As the Executive Chairman, he plays a vital role in leading and guiding the Board, and also serves as the communication point between the Board and the Managing Director.

The Managing Director, Mr. Loh Kok Cheng leads the management in the operations and has overall responsibility over the operation units and organisational effectiveness.

The Board delegates certain areas of responsibilities to Board Committees, each with predefined terms of reference and responsibilities and the Board receives reports of their proceedings and deliberations. Where the Board Committees have no authority to make decisions on matters reserved for the Board, recommendations would be tabled to the Board for its approval. The Chairman of the respective Board Committees shall report the outcome of the Committee meetings to the Board and relevant decisions are incorporated in the minutes of the Board meetings.

The Non-Executive Directors play a leading role in the Audit and Risk Management Committee, Nominating Committee and Remuneration Committee. They are primarily responsible to provide objective and independent judgements to the decision making of the Board.

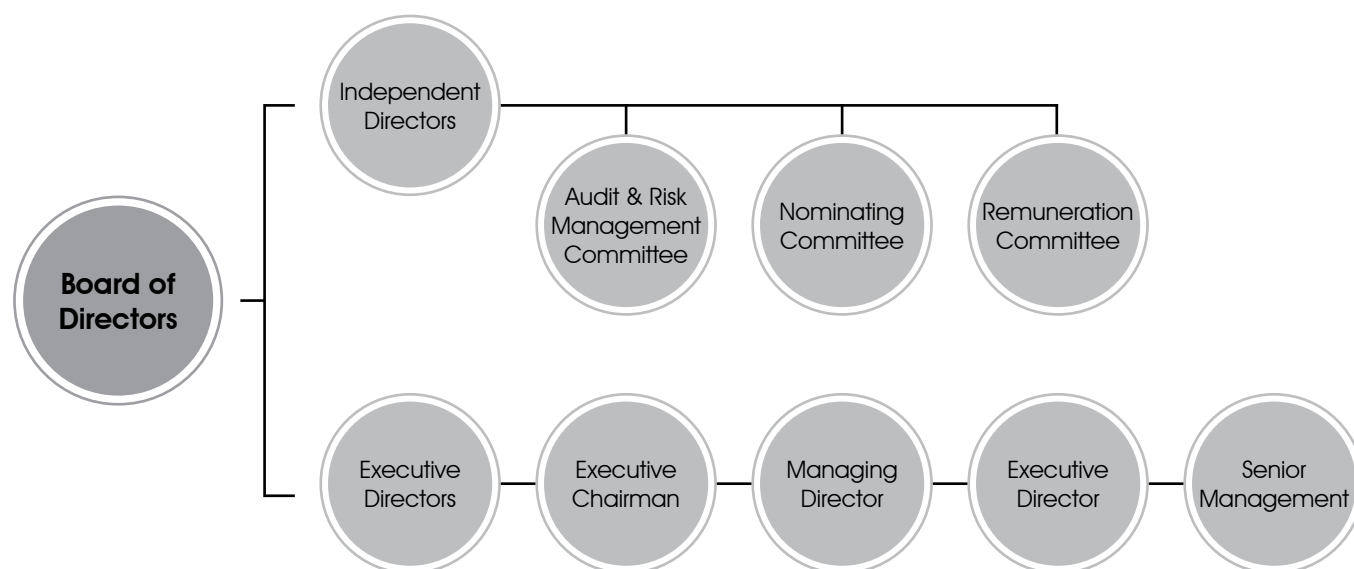
Corporate Governance Overview Statement (Cont'd)



PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Board Responsibilities (Cont'd)

Below is the Group's Governance Model where specific powers of the Board are delegated to ensure responsibilities and duties are discharged orderly:



All Directors have access to the advice and services of the Company Secretary in carrying out their duties and to ensure all rules, requirements and regulations are complied with.

The Company Secretaries are responsible for proper maintenance of secretarial records, preparation of resolutions, recording minutes of proceedings and other key secretarial functions. The Directors have unrestricted access to the services of the Company Secretaries for guidance on matters relating to the companies law, rules and regulations of the regulatory authorities as well as best practices on governance.

Both Company Secretaries are members of professional bodies and qualified to act as company secretaries. They regularly keep themselves abreast with the regulatory changes and developments vide participations in various training programmes.

Composition of the Board

The Company has an experienced Board comprising four (4) Executive Directors and three (3) Non-Executive Directors. The number of the Independent Directors on the Board complies with Paragraph 15.02 of the MMLR which requires that at least two (2) or one-third (1/3) of the Board of the Company, whichever is higher, are Independent Directors.

All the three (3) Non-Executive Directors are independent directors and they provide independent views and objective judgement to the Board's decision making process. This strengthens the Board which benefits from the independent views expressed before any decisions are taken. Should any director have an interest in any matter under deliberation, he is required to disclose his interest and abstain from participating in discussions on the matter. The Nominating Committee, upon its annual assessment of the independent directors is satisfied that the independent directors had discharged their responsibilities in an independent manner.

Tenure of Independent Director

Practice 4.2 of MCCG stipulates that the tenure of an Independent Director of the Company should not exceed a cumulative term of nine (9) years. An Independent Director may continue to serve the Board subject to re-designation as a Non-Independent Director. In the event the Board intends to retain the Independent Director after serving a cumulative term of nine (9) years, shareholders' approval will be sought.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Tenure of Independent Director (Cont'd)

The Company does not have a policy which limits the tenure of its independent directors to nine (9) years. The Board believes that valuable contributions can be obtained from directors who have, over a period of time, developed valuable insight of the Company and its business. Their experience enables them to discharge their duties and responsibilities independently and effectively in the decision making processes of the Board, notwithstanding their tenure on the Board. However, the Board would seek annual shareholders' approval to retain the independent directors who have served more than nine (9) years.

Both Dr. Kamarudin Bin Ngah and Tuan Haji Mohamed Haniffah Bin S.M. Mydin have served the Board as Independent Non-Executive Directors for more than twelve (12) years. The Board believes that although both Dr. Kamarudin Bin Ngah and Tuan Haji Mohamed Haniffah Bin S.M. Mydin have served more than twelve (12) years on the Board, they remain unbiased, objective and independent in expressing their opinions and in participating in decision making of the Board. The length of their service on the Board has not in any way interfered with their objective and independent judgement in carrying out their role as members of the Board and Committees.

Gender Diversity

The Board is supportive of gender diversity in the Board composition and senior management. However, the Board does not have a specific policy of setting targets on the number of women representatives on the Board of the Company. The Board believes that there is no detriment to the Company in not adopting a formal gender diversity policy or in not setting gender diversity objectives as the Company is committed to provide fair and equal opportunities and nurturing diversity within the Company. 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.

Appointment & Re-election

In making the recommendations for the board appointment of new candidates, the NC would consider candidates proposed by the existing board members, any other senior executive, Director or major shareholder. The NC may also utilise independent sources including directors' registry, industry and professional association, open advertisements and independent search firms to identify suitably qualified candidates.

New Directors are provided with comprehensive information on the Group to enable them to gain a better understanding of the Group's strategies and operations, and hence allow them to effectively contribute to the Board.

In accordance with the Company's Constitution, one-third (1/3) of the directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office and be eligible for re-election. Provided always that, all directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. A retiring director shall retain office until the close of the meeting at which he retires.

The Board through its Nominating Committee ("NC") conducts annual assessment of the effectiveness of the Board, the Board Committees, individual directors and senior management of the Company.

The assessment of the Board as a whole, Board Committees, individual directors and senior management are carried out by way of evaluation questionnaires. The responses are then compiled and presented to the NC for evaluation and consideration. The NC will evaluate and table its recommendations to the Board. The director's and senior management's concern shall abstain from deliberating on his/her own assessment.

During financial year 2017, the NC had held two meetings with full members present. The NC had discussed and assessed the Board, the Board Committees, term of Audit & Risk Management Committee and members of the Audit & Risk Management Committee, individual directors, the independence of independent directors, senior management, boardroom diversity, directors' training and re-appointment or re-election of directors at the forthcoming annual general meeting of the Company.

The Nominating Committee, upon its recent annual assessment carried out, is satisfied that the current size and composition of Board, Board Committees, its directors and Senior Management are adequately appropriate for its purpose with relevant mix of skills, experience, competency, ethnicity and age.

Corporate Governance Overview Statement (Cont'd)



PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Appointment & Re-election (Cont'd)

During the financial year, the directors had attended briefings by the Company Secretary pertaining to the amendments to the Listing Requirements, the new Companies Act, 2016 and the MCCG. In addition, the External Auditors had also briefed the Directors on the changes of the Malaysian Financial Reporting Standards that affect the Group's financial statements. Other trainings attended by the directors are as follows:

Name	Description of training
Mr. Loh Kok Beng	Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers Forklift Safety Training
Mr. Loh Kok Cheng	MIDF Seminar on Automation Incentives Post-Budget 2018 Forklift Safety Training
Mdm. Loh Joo Eng	Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers
Mr. Leow Chan Kiang	GST Audit Framework Latest Developments & Uncovering The Truth About GST Audit Corporate Governance and Listing Requirements Market Talk MFRS Updates KPMG Penang Tax Summit 2017
Dr. Kamarudin Bin Ngah	Japan Local Administration Seminar 2017 The Fundamentals of Urban Structure and Land Use Planning in Malaysian Cities Local Government Consultative Forum International Conference on Social Sciences, Humanities and Technology 2017
Tuan Haji Mohamed Haniffah Bin S.M. Mydin	An Awareness Program On Malaysian Code On Corporate Governance 2017 ("MCCG") For Perbadanan Usahawan Nasional Berhad Case Study Workshop for Independent Directors
Mr. Loh Eng Chun	MIDF Seminar on Automation Incentives Post-Budget 2018

Remuneration

The Board has in place a Remuneration Policy which is clear and transparent to attract and retain the Directors and the Senior Management of the Company. The Remuneration Committee ("RC") of the Company comprising solely of independent directors is headed by Dr. Kamarudin Bin Ngah, an Independent Non-Executive Director. The RC is responsible to review the policy and ensure fair remuneration policies and procedures are in place.

The RC is also empowered by the Board with the terms of reference to review and recommend the remunerations of the executive, non-executive directors and Senior Management. The director's and Senior Management's concern shall abstain from deliberating on his/her own remunerations.

During financial year 2017, the RC had held one meeting with full members present. The RC had discussed and recommended to the Board the remuneration package of executive directors, directors' fees and benefits.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Remuneration (Cont'd)

Aggregate remuneration paid to Directors for the financial year ended 31 December 2017 are categorised into the following components:

Name	N1 Fees (RM'000)	N2 Salary (RM'000)	N2 Bonus (RM'000)	N2 Other Emoluments ^ (RM'000)	Total (RM'000)
Loh Kok Beng	27	1,058	369	176	1,630
Loh Kok Cheng	27	983	338	162	1,510
Loh Joo Eng	27	126	52	22	227
Loh Eng Chun	27	126	31	21	205
Dr. Kamarudin Bin Ngah	29	0	0	0	29
Tuan Haji Mohamed Haniffah Bin S.M.Mydin	29	0	0	0	29
Leow Chan Khiang	14	0	0	0	14
Yeoh Aik Chuan	14	0	0	0	14

N1 – Received on Company Level

N2 – Received on Group Level

^ other emoluments comprising of performance incentives, allowances and statutory contributions to regulatory bodies

Directors' benefits approved at last Annual General Meeting (AGM) from 01 February 2017 until the conclusion of the 16th AGM are as follows:

Directors' Benefits	Actual benefits paid/incurred up to 31 March 2018 (RM'000)
Travelling Allowance	5
Medical Allowance	23
Total Expenditures	28
Approved limit at 15 th AGM	50

In determining the remuneration packages of the Group's senior management, factors that were taken into consideration included their individual responsibilities, skills, expertise and contributions to the Group's performance and whether the remuneration packages are competitive and sufficient to ensure that the Group is able to attract and retain executive talents.

On the disclosure of remuneration of the Group's senior management, the Board is of the view that it would not be in the best interest of the Company to make such disclosure in view of the competitive nature of the human resource market and to support the Company's efforts in attracting and retaining executive talents, it should maintain confidentiality on employee remuneration matters.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit and Risk Management Committee

The Audit and Risk Management Committee ("ARMC") consists of three (3) independent non-executive directors. The current ARMC Chairman is professionally qualified accountant with vast experience in the financial reporting. The ARMC assists the Board in reviewing and ensuring the Company's quarterly reports and an annual audited financial statements are prepared in compliance with applicable financial reporting standards and makes its recommendation to the Board for approval and release to Bursa Securities and shareholders of the Company. The ARMC also assists the Board in the establishment of an effective risk management and internal control framework and ensure that the internal audit function is effective and able to function independently.

Corporate Governance Overview Statement (Cont'd)



PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

Audit and Risk Management Committee (Cont'd)

The ARMC has an appropriate and transparent relationship with the external auditors. The ARMC has been conferred with the authority to directly liaise with both the External and Internal Auditors. The ARMC will review the appointment and re-appointment of External Auditors and to assess the performance and independency of the External Auditors on annual basis. The existing auditors, Messrs. BDO had confirmed to the Audit Committee in writing that they are, and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. The ARMC, upon its recent annual assessment carried out, is satisfied with their work done and independence and had recommended to the Board for their re-appointment at the forthcoming annual general meeting.

For the financial year ended 31 December 2017, the ARMC held five (5) meetings and the summary of work of the ARMC including the internal audit functions are set out in the Audit & Risk Management Committee Report section of this Annual Report.

Risk Management and Internal Control Framework

The Board has the overall responsibility in the risk governance and internal control of the Group. The Board and the ARMC worked closely with the Senior Management to identify, evaluate, manage and report major risks that affecting the Group as well as the measures taken, and also to review the adequacy and effectiveness of the internal control on an ongoing basis. The Board is of the view that the system of internal control and risk management in place during the financial year, is sound and sufficient to safeguard the Group's assets and the interests of various stakeholders.

An overview of risk management and the state of internal control within the Group is set out in the Statement on Risk Management and Internal Control section of this Annual Report.

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

Communication with Stakeholders

The Board has in place an Investor Disclosure Policy to ensure transparent, timely, accurate and quality disclosure of material information to the investing public and stakeholders. All confidential information are properly handled by the Directors, the employees and other relevant parties to avoid leakage and improper use of such information. The Company's website provides all relevant information of the Group, which is accessible to the public. All information and announcements are uploaded to its website on a timely manner and categorised in an orderly and structured manner for the ease of reference by the investors, stakeholders and the public.

The Investor Disclosure Policy is available on the Company's website www.tekseng.com.my

Conduct of General Meetings

The Company's general meetings are important avenues for communication and dialogue with the shareholders. The Company will issue notice of annual general meetings ("AGM") to shareholders at least 28 days before the AGM to allow shareholders more time to make the necessary arrangements to attend in person or by corporate representatives, proxies or attorneys.

Each item of special business included in the notice of AGM will be accompanied by explanatory statement to facilitate a full understanding and evaluation of the proposed resolution.

The Company's Chairman will invite shareholders to raise questions pertaining to each proposed resolution before putting the motion to vote by poll in all general meetings. Board members and senior management will be present to respond to any questions raised from the shareholders. The Company's external auditors are also present to address issues relating to the audits and the auditors' reports.

All the proposed resolutions put to the meeting will be voted upon by poll as poll voting reflects shareholders' views more accurately and fairly as every vote is properly counted in accordance with the one share, one vote principle. The Company will appoint scrutineers to validate the votes cast at the general meetings.

Before the commencement of poll voting, the Company Secretary will share with shareholders the poll voting process on all resolutions put to the meeting.

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board dated 20 April 2018.

Statement on Risk Management and Internal Control

INTRODUCTION

Pursuant to Paragraph 15.26(b) of the Listing Requirements of Bursa Securities, the Board of Directors ("the Board") of Tek Seng Holdings Berhad ("the Company") is pleased to provide the following statement on risk management and internal control of Tek Seng Holdings Berhad and its subsidiaries ("the Group") for financial year ended 31 December 2017. This has been prepared in accordance to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), Malaysian Code on Corporate Governance 2017 ("MCCG 2017") and "Statement on Internal Control and Risk Management: Guidelines for Directors of Listed Issuers".

BOARD RESPONSIBILITY

The Board recognises the importance of maintaining a sound system of internal control and risk management framework. The Board affirms its overall responsibility for the Group's systems of internal control and for reviewing the adequacy and effectiveness of those systems. Because of the limitations that are inherent in any systems of internal control, those systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

RISK MANAGEMENT

The Group has an ongoing process for identifying, evaluating and managing the significant risks faced by, or potentially exposed to the Group in pursuing its business objectives. The Risk Management Process comprises risk identification, risk analysis, risk planning, risk monitoring and control.

The process of identifying, evaluating and managing the significant risks are embedded in the various work processes and procedures of the respective departments. It is the responsibility of key management and heads of department to identify evaluate and manage the significant risks faced by the Group on an ongoing basis. Any significant risks and related mitigating activities are then reported to the executive directors. The executive directors shall compile the risk register and report to the Audit & Risk Management Committee. The internal auditors shall assist the Audit & Risk Management Committee to perform risk review exercise to ensure the significant risks identified are properly mitigated. The Audit & Risk Management Committee report to the Board on the risks profiles as well as the on-going risk management implementation and actions undertaken to mitigate the risks identified. The Board oversees the adequacy of the Group's risk management framework to ensure risk management and internal controls are in place.

During the financial year, the process of identification of principal risks and managing such risks had been conducted formally. Principal risk areas that are considered significant to the Group are as follows:

- Operation risk
- Regulatory compliance risk
- Finance risk
- Liquidity risk
- Hazard risk
- Business risk

- i) Operation Risk
- Depletion of raw material resources
 - The increase in the price of raw materials
 - Shortage of managerial and technical skills in the manufacturing processes.

The Group had mitigated such risk by obtaining more sourcing with the same quality of raw materials with reasonable price and offer attractive remuneration packages as well as providing a safe and comfortable working environment.

- ii) Regulatory Compliance Risk
- Changes in governmental regulations in Malaysia and other countries may have an impact to the Group.

The key to risk management is to attend seminars and overseas forums to keep abreast with the developments of the business environments, to participate actively with stakeholders and have regular discussions and dialogues with consultants, bankers and lawyers on compliance and regulatory related matters.

Statement on Risk Management and Internal Control (Cont'd)



RISK MANAGEMENT (Cont'd)

iii) Finance Risk

- Foreign exchange rate fluctuations and interest rate movements. The adverse fluctuations in foreign exchange rate risk may mitigate by natural hedge (Import vs Export are denominated in same currency)

When suppliers and customers are all operating in the same currency (USD), we may look to source raw materials, components and other production inputs. The Company can set costs and price in the same currency.

iv) Liquidity Risk

- Obligation to fulfil daily operation costs included administrative cost, overhead costs and staff costs.

The Group continues strengthen its treasury function by monitoring the Group's cash flow requirements and ensuring adequate financial facilities to support the Group's future needs.

v) Hazard Risk

- Fire and other property damage, flood and other natural perils, theft and other crime, personal injury etc.

The Group had mitigated such risk by tightening its security measures and insurance coverage.

vi) Business Risk

- TS Solartech Sdn. Bhd. is experiencing a loss which influenced by demand drops mainly due to US government announcement on tariff imposed on solar equipment exported to US and company is exposed to global competition especially from China and Taiwan.

The Group try keep approaching new and old customers and strengthen our branding, approach relevant government authority for any business opportunities. Go downstream business activities involving local business on PV system installation project and provide all in one service and attractive package to local consumer.

INTERNAL AUDIT FUNCTION

The Board acknowledges the importance of internal audit function and has engaged the services of an independent professional consulting firm to provide the assurance it requires regarding the effectiveness, adequacy and integrity of the Group's systems of internal control.

The internal audit adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group. Scheduled internal audits are carried out by the internal auditors based on the audit plan presented to and approved by the Audit & Risk Management Committee. The audit focuses on areas with high risk and inadequate controls to ensure that adequate action plans have been put in place to improve the controls. For those areas with high risk and adequate controls, the audit ascertains that the risks are effectively mitigated by the controls. On a quarterly basis, the internal auditors report to the Audit & Risk Management Committee on areas for improvement and will subsequently follow up to determine the extent of their recommendations that have been implemented.

INTERNAL CONTROL

Apart from risk management and internal audit, the Group has put in place the following key elements of internal control:

- Organisation structure with defined scopes of responsibility, clear lines of accountability and appropriate levels of delegated authority;
- Documented internal policies and procedures for financial, operational and human resource management, which are subject to annual review and improvement;
- Annual and comprehensive information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making;
- Monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary;
- Regular Board and Audit & Risk Management Committee meetings;
- Staff training to enhance their skills, knowledge and competencies;
- Daily visits to operating units by members of the Board and senior management; and
- TS Solartech Sdn. Bhd. adopts ISO 9001:2008 Quality Management System which will enable the TS Solartech Sdn. Bhd. to monitor and ensure the quality requirements of the solar products.

Statement on Risk Management and Internal Control (Cont'd)

BOARD ASSESSMENT

The Board has received assurance from the Executive Chairman and Managing Director that the Group's risk management and internal control systems are operating adequately and satisfactorily, in all material aspects, to meet the Group's objectives during the financial year under review.

As at 31 December 2017, the Board is of the opinion that the Group had adequately addressed the significant risks identified which are relevant and material to the Group's operations and has in place a sound internal control systems by adopted all the suggested improvements by the internal auditors in ensuring the systems of internal control and risk management are in place.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement in accordance to Paragraph 15.23 of the MMLR of Bursa Securities. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement on Risk Management and Internal Control is not, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

This statement is issued in accordance with a resolution of the Directors dated 20 April 2018.

Audit & Risk Management Committee Report



COMPOSITION, MEETINGS AND ATTENDANCE

The Audit & Risk Management Committee comprises three (3) members, all of whom are Independent Non-Executive Directors. During the financial year ended 31 December 2017, five (5) Audit & Risk Management Committee Meetings were held, four (4) held at The Conference Room of Tek Seng Holdings Berhad and one (1) held at Laurel II Ballroom of Evergreen Laurel Hotel and the details of attendance are as follows:-

Name of Members	Designation	No. of Meetings Attended
Mr. Leow Chan Kiang (Appointed on 01.07.2017)	Chairman	2 out of 2
Dr. Kamarudin Bin Ngah	Member	4 out of 5
Tuan Haji Mohamed Haniffah Bin S.M. Mydin	Member	5 out of 5
Mr. Yeoh Aik Chuan (Resigned on 01.07.2017)	Chairman	2 out of 3

TERMS OF REFERENCE

The terms of reference of the Audit & Risk Management Committee is available at the Company's website www.tekseng.com.my.

SUMMARY OF WORK DONE DURING THE FINANCIAL YEAR

The summarised works carried out by the Audit & Risk Management Committee during the financial year are as follows:-

Financial Reporting

- Reviewed the quarterly and annual financial statements of the Company and of the Group with the executive director, focusing particularly on appropriate accounting policies adopted by the Management, any adjustments arising from the audits, prudent judgements and reasonable estimates made by the Management are in accordance with the financial reporting standards and other legal requirements to ensure that the financial statements presented a true and fair view of the Group's financial performance before recommending them to the Board for approval.

External Audit

- Reviewed with the external auditors, the external audit plan, nature and scope of the audit plan and coordination of the external auditors to meet the key deliverables timeline.
- Reviewed with the external auditors, the audit review memorandum arising from audits of the Company and its subsidiaries together with comments and responses of the management including the assistance given by the management and employees of the Group.
- Assessed the independence, resources and the overall performance of the external auditors and upon assessment, recommended them to the Board for re-appointment.
- Held private sessions with the external auditors without the presence of the executive directors or the Management of the Company to reinforce the independence of the external audit function of the Company.
- Held private sessions with the external auditors without the presence of the executive directors or the Management of the Company to enquire about any extraordinary matters or material concerns related to the Group which required immediate attention of the Audit & Risk Management Committee.

Risk Management and Internal Control

- Reviewed with the internal auditors, the internal audit plan to ensure adequate coverage of key functional areas and business activities of the Group.
- Reviewed with the internal auditors, the internal audit reports to ensure appropriate corrective actions had been taken by the management to implement the audit recommendations.
- Reviewed with the internal auditors, the follow-up review reports on the status of implementation by the Management of the audit recommendations.
- Reviewed and report to the Board on the risks profile including the activities in mitigating the principal risks identified.
- Reviewed and report to the Board on the adequacy of the scope, function and effectiveness of the internal audit function.
- Held private sessions with the internal auditors without the presence of the executive directors or the Management of the Company to reinforce the independence of the internal audit function of the Company.
- Assessed and report to the Board on the resources, competencies and the overall performance of the internal auditors.

Audit & Risk Management Committee Report (Cont'd)

SUMMARY OF WORK DONE DURING THE FINANCIAL YEAR (Cont'd)

Recurrent Related Party Transactions

- Reviewed the report by the Management in respect of recurrent related party transactions to ensure all related party transactions were undertaken on an arm's length basis and on normal commercial terms, consistent with the Group's usual business practices and policies, which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company.
- Reviewed the adequacy of the Group's existing procedures and processes to monitor, track and identify recurrent related party transactions and to form an opinion for inclusion in the Circular to Shareholders in relation to the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.

Annual Reports

- Reviewed the Statement on Risk Management and Internal Control, Audit & Risk Management Committee Report and Corporate Governance Disclosures and recommended to the Board for inclusion in the Company's Annual Report for FYE 31 December 2017.

INTERNAL AUDIT FUNCTION

The Board has established an internal audit function which is independent of the activities in audits. The Internal Auditors report directly to the Audit & Risk Management Committee. During the financial year, the Company had outsourced its internal audit function to an external professional firm to perform an independent and systematic reviews of the Group's systems of internal in order to provide reasonable assurance that the Group's internal audit function continues to operate satisfactorily and effectively.

The summarised works carried out by the internal auditors during the financial year are as follows:-

1. Reviewed the systems of internal controls covering the functional areas of Human Resources Management, General Safety, Inventory Management, Goods and Services Tax, Property, Plant and Equipment Management, Local Sales Management, Credit Control, Procurement and ascertained the extent of compliance with the established policies, procedures and statutory requirements.
2. Reported to the Audit & Risk Management Committee on findings and improvement opportunities identified together with the management action plans to address the same. All the recommended actions had been fully adopted by the Management.
3. Conducted follow-up reviews on the status of management action plans documented and reported the overall results to the Audit & Risk Management Committee. The Management had implemented 90% of the recommended action plans during the financial year.

Statement of Directors' Responsibilities



The Directors acknowledge that they are responsible for the Annual Audited Financial Statements so as to give a true and fair view of the state of affairs as at the end of the financial year of the Group and of the Company and of their results and their cash flows.

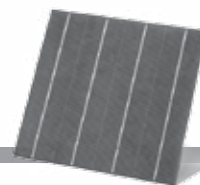
In preparing the financial statements for the year ended 31 December 2017, the Directors are satisfied that:

1. Reasonable and prudent judgement and estimates were made; and
2. The relevant applicable Approved Accounting Standards in Malaysia have been complied.

The Directors also responsible for ensuring that the Company maintains appropriate accounting policies that disclose with reasonable accuracy of the financial position of the Group and of the Company, and which enable them to ensure that the financial statements comply with the Companies Act, 2016.

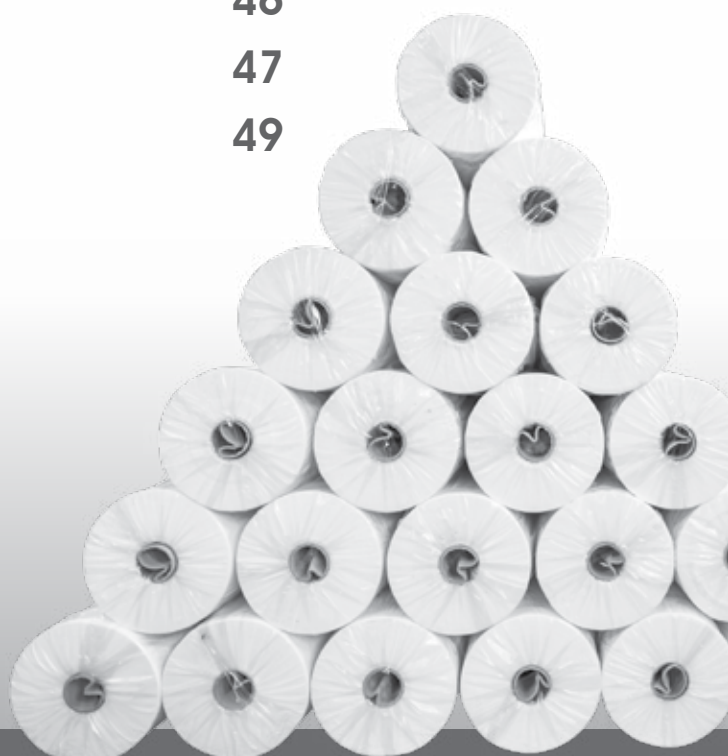
This Statement is issued in accordance with a resolution of the Directors dated 20 April 2018.

Directors' Report and Audited Financial Statements



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Directors' Report



The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year	<u>34,225,110</u>	<u>430,821</u>
Attributable to:		
Owners of the parent	23,288,001	430,821
Non-controlling interests	<u>10,937,109</u>	<u>0</u>
	<u>34,225,110</u>	<u>430,821</u>

DIVIDENDS

Dividends paid, declared or proposed since the end of the previous financial year were as follows:

	Company RM
In respect of financial year ended 31 December 2017:	
Single tier first interim dividend of 1 sen per ordinary share, paid on 6 October 2017	<u>3,481,309</u>

The Directors propose a single tier final dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2017, subject to the approval of shareholders at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than the effects of adoption of Companies Act, 2016 as disclosed in Note 10 and provision for material litigation as disclosed in Note 15 to the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up share capital of the Company was increased from 348,130,462 to 348,130,962 by way of issuance of 500 new ordinary shares pursuant to the exercise of warrants at RM0.25 each for cash.

The newly issued shares rank pari passu in all respects with the existing shares of the Company. There were no other issues of shares during the financial year.

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

Directors' Report (Cont'd)

DIRECTORS

The Directors who have held office since the date of the last report are:

Tek Seng Holdings Berhad

Loh Kok Beng
 Loh Kok Cheng
 Loh Joo Eng
 Dr. Kamarudin Bin Ngah
 Mohamed Haniffah Bin S.M. Mydin
 Loh Eng Chun
 Leow Chan Khiang (Appointed on 1 July 2017)
 Yeoh Aik Chuan (Resigned on 1 July 2017)

The Directors of subsidiaries who have held office since the date of the last report at the date of this report, not including those Directors listed above are:

Tseng, Sheng-Cheng
 Wu, Hsing-Yuan

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2017 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016 in Malaysia were as follows:

	Number of ordinary shares			
	Balance as at 1.1.2017	Bought	Sold	Balance as at 31.12.2017

Shares in the Company

Direct interests

Loh Kok Beng	71,679,630	0	0	71,679,630
Loh Kok Cheng	73,857,030	0	0	73,857,030
Loh Joo Eng	1,845,000	0	0	1,845,000
Dr. Kamarudin Bin Ngah	4,375	0	0	4,375
Mohamed Haniffah Bin S.M. Mydin	40,000	0	0	40,000

Indirect interests

Loh Joo Eng #	115,825	0	0	115,825
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	<div>← Number of warrants →</div>			
	Balance as at 1.1.2017	Bought	Sold	Balance as at 31.12.2017

Warrants in the Company

Direct interests

Loh Kok Cheng	6,486,700	0	0	6,486,700
Dr. Kamarudin Bin Ngah	2,187	0	0	2,187

Indirect interests

Loh Joo Eng #	50,037	0	0	50,037
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Shares or warrants held by family members by virtue of Section 59 of the Companies Act, 2016 in Malaysia.



DIRECTORS' INTERESTS (Cont'd)

By virtue of their interests in the ordinary shares of the Company, Loh Kok Beng and Loh Kok Cheng are also deemed to be interested in the ordinary shares of all the subsidiaries to the extent the Company has an interest.

The interest and deemed interests in the ordinary shares of its non-wholly owned subsidiary, TS Solartech Sdn. Bhd., held by Loh Kok Beng and Loh Kok Cheng were as follows:

	<div>←</div> Number of ordinary shares <div>→</div>			
	Balance as at 1.1.2017	Bought	Sold	Balance as at 31.12.2017
Shares in a subsidiary				
- TS Solartech Sdn. Bhd.				
Indirect interests				
Loh Kok Beng	117,574,000	0	0	117,574,000
Loh Kok Cheng	117,574,000	0	0	117,574,000

None of the other Directors holding office at the end of the financial year held any interest in the ordinary shares of the Company or ordinary shares and debentures of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than the remuneration received by certain Directors as Directors of the Company and its subsidiaries as disclosed in Note 20 to the financial statements.

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

DIRECTORS' REMUNERATION

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

INDEMNITY AND INSURANCE FOR OFFICERS AND AUDITORS

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

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that there are no known bad debts and that no provision for doubtful debts was required; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature except for the effects arising from:
 - (i) compensation from a customer resulting in an increase in the profit of the Group for the financial year by RM63,271,457 as disclosed in Note 19 to the financial statements.
 - (ii) material litigation resulting in a decrease in the profit of the Group for the financial year by RM4,327,777 as disclosed in Note 15 and 28 to the financial statements respectively.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (c) The Directors are not aware of any circumstances:
 - (i) which would necessitate the writing off of bad debts or the making of provision for doubtful debt in the financial statements of the Group and of the Company;
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) In the opinion of the Directors:
 - (i) there has not arisen any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
 - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances 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.



AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

Auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2017 amounted to RM8,400 and RM96,000 respectively.

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

Loh Kok Beng
Director

Loh Kok Cheng
Director

Penang
20 April 2018

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 42 to 81 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions 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 31 December 2017 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Loh Kok Beng
Director

Loh Kok Cheng
Director

Penang
20 April 2018

Statutory Declaration

I, Loh Kok Cheng, being the Director primarily responsible for the financial management of Tek Seng Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 42 to 81 are, to the best of my knowledge and belief, 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 at Georgetown in the state
of Penang this 20 April 2018

Loh Kok Cheng

Before me,

Commissioner for Oaths

Independent Auditors' Report

to the Members of Tek Seng Holdings Berhad

(Company No. 579572-M)
(Incorporated in Malaysia)



Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tek Seng Holdings Berhad, which comprise the statements of financial position as at 31 December 2017 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 42 to 81.

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 31 December 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') 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 ('ISAs'). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ('By-Laws') and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current 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.

Impairment assessment on carrying amount of property, plant and equipment

As stated in Note 4(e) to the financial statements, the Solar segment of the Group experienced a reduction in profit contribution to the Group, which gave rise to an impairment indication. Accordingly, the Group has performed impairment assessments on the Cash Generating Unit ('CGU').

We have focused on the impairment assessment of the CGU's property, plant and equipment with carrying amount of RM143 million as at 31 December 2017 as the assessment process is complex and it requires significant judgements and estimates about the future results and key assumptions applied to cash flow projections of the CGU in determining the recoverable amount. These key assumptions include forecast growth in future revenues and operating profit margins, as well as determining an appropriate pre-tax discount rate and growth rate.

Audit response

Our audit procedures included the following:

- (a) compared five-year cash flow projections against recent performance and assessed and challenged the assumptions used in the projections by comparing to actual historical operating profit margins and growth rates and corroborate the findings from other areas of our audit;
- (b) compared prior period budgets to actual outcomes to assess reliability of management's forecasting process and controls;
- (c) verified pre-tax discount rate for the CGU being used by the Group; and
- (d) performed sensitivity analysis to stress test the key assumptions in the impairment model.

We have determined that there are no key audit matters to communicate in our report in respect of the audit of the financial statements of the Company.

Independent Auditors' Report (Cont'd)

to the Members of Tek Seng Holdings Berhad

(Company No. 579572-M)
(Incorporated in Malaysia)

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 MFRSs, IFRSs 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 ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs 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 ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) 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.
- (b) Obtain an understanding of internal controls 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 internal control of the Group and of the Company.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

Independent Auditors' Report (Cont'd)

to the Members of Tek Seng Holdings Berhad

(Company No. 579572-M)
(Incorporated in Malaysia)



Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (Cont'd):

- (e) 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.
- (f) 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 Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Other Matters

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

BDO
AF: 0206
Chartered Accountants

Koay Theam Hock
02141/04/2019 J
Chartered Accountant

Penang
20 April 2018

Statements of Financial Position

As at 31 December 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	336,735,297	409,621,480	0	0
Trademark	5	0	0	0	0
Investments in subsidiaries	6	0	0	155,543,093	155,543,093
		336,735,297	409,621,480	155,543,093	155,543,093
Current assets					
Inventories	7	55,609,725	75,175,546	0	0
Trade and other receivables	8	33,498,720	54,432,151	32,850,658	34,052,355
Current tax assets		33,941	2,651	0	0
Cash and bank balances	9	10,301,040	4,810,322	1,228,179	1,513,418
		99,443,426	134,420,670	34,078,837	35,565,773
TOTAL ASSETS		436,178,723	544,042,150	189,621,930	191,108,866
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	10	111,867,662	87,032,616	111,867,662	87,032,616
Share premium		0	24,834,921	0	24,834,921
Retained earnings		144,425,634	124,618,942	75,898,440	78,948,928
		256,293,296	236,486,479	187,766,102	190,816,465
Non-controlling interests		132,085,029	121,147,920	0	0
TOTAL EQUITY		388,378,325	357,634,399	187,766,102	190,816,465
LIABILITIES					
Non-current liabilities					
Borrowings	11	0	49,823,237	0	0
Deferred tax liabilities	13	13,919,400	9,150,500	0	0
		13,919,400	58,973,737	0	0
Current liabilities					
Trade and other payables	14	27,711,822	116,479,023	1,809,579	194,947
Borrowings	11	0	8,525,161	0	0
Provision	15	4,327,777	0	0	0
Current tax liabilities		1,841,399	2,429,830	46,249	97,454
		33,880,998	127,434,014	1,855,828	292,401
TOTAL LIABILITIES		47,800,398	186,407,751	1,855,828	292,401
TOTAL EQUITY AND LIABILITIES		436,178,723	544,042,150	189,621,930	191,108,866

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

Statements of Profit or Loss and Other Comprehensive Income

For the Financial Year Ended 31 December 2017



	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Revenue	18	285,715,718	437,386,166	1,125,786	1,119,007
Other operating income	19	74,603,449	20,028,759	0	0
Changes in inventories of work-in-progress and finished goods		(18,274,002)	17,520,112	0	0
Purchase of trading merchandise		(5,968,898)	(6,111,164)	0	0
Raw materials and consumables used		(175,174,455)	(291,587,459)	0	0
Depreciation of property, plant and equipment	4	(33,299,777)	(34,373,432)	0	0
Impairment on property, plant and equipment	4	(4,068,031)	0	0	0
Employee benefits	20	(27,306,537)	(35,382,172)	(194,250)	(185,000)
Carriage outwards		(6,694,537)	(6,338,408)	0	0
Utilities expenses		(18,561,862)	(24,081,526)	0	0
Provision for material litigation	15	(4,327,777)	0	0	0
Other expenses		(20,778,909)	(27,414,342)	(268,738)	(661,412)
Finance costs	21	(357,397)	(1,387,895)	(10,136)	0
Profit before tax		45,506,985	48,258,639	652,662	272,595
Tax expense	22	(11,281,875)	(8,851,168)	(221,841)	(205,766)
Profit for the financial year		34,225,110	39,407,471	430,821	66,829
Other comprehensive income, net of tax		0	0	0	0
Total comprehensive income		34,225,110	39,407,471	430,821	66,829
Profit attributable to:					
Owners of the parent		23,288,001	31,193,196	430,821	66,829
Non-controlling interests		10,937,109	8,214,275	0	0
		34,225,110	39,407,471	430,821	66,829
Total comprehensive income attributable to:					
Owners of the parent		23,288,001	31,193,196	430,821	66,829
Non-controlling interests		10,937,109	8,214,275	0	0
		34,225,110	39,407,471	430,821	66,829
Earnings per ordinary share attributable to equity holders of the Company:					
Basic earnings per share	23	0.07	0.10		
Diluted earnings per share	23	0.06	0.09		

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

Consolidated Statement of Changes in Equity

For the Financial Year Ended 31 December 2017

Group	Note	Share capital RM	Non-Distributable Share premium RM	Distributable Retained earnings RM	Total attributable to owners of the parent RM	Non-controlling interests RM	Total equity RM
Balance as at 1 January 2017		87,032,616	24,834,921	124,618,942	236,486,479	121,147,920	357,634,399
Profit for the financial year		0	0	23,288,001	23,288,001	10,937,109	34,225,110
Other comprehensive income, net of tax		0	0	0	0	0	0
Total comprehensive income		0	0	23,288,001	23,288,001	10,937,109	34,225,110
Transactions with owners							
Issuance of ordinary shares pursuant to exercise of warrants	10	125	0	0	125	0	125
Dividend	24	0	0	(3,481,309)	(3,481,309)	0	(3,481,309)
Total transactions with owners		125	0	(3,481,309)	(3,481,184)	0	(3,481,184)
Transfer pursuant to Companies Act, 2016	10	24,834,921	(24,834,921)	0	0	0	0
Balance as at 31 December 2017		111,867,662	0	144,425,634	256,293,296	132,085,029	388,378,325

Consolidated Statement of Changes in Equity (Cont'd)

For the Financial Year Ended 31 December 2017



Group	Note	Share capital RM	Non-Distributable Share premium RM	Distributable Retained earnings RM	Total attributable to owners of the parent RM	Non-controlling interests RM	Total equity RM
Balance as at 1 January 2016		66,709,003	0	108,401,366	175,110,369	112,933,645	288,044,014
Profit for the financial year		0	0	31,193,196	31,193,196	8,214,275	39,407,471
Other comprehensive income, net of tax		0	0	0	0	0	0
Total comprehensive income		0	0	31,193,196	31,193,196	8,214,275	39,407,471
Transactions with owners							
Issuance of ordinary shares pursuant to:							
- exercise of warrants	10	12,591,338	0	0	12,591,338	0	12,591,338
- private placement	10	7,732,275	24,834,921	0	32,567,196	0	32,567,196
Dividends	24	0	0	(14,975,620)	(14,975,620)	0	(14,975,620)
Total transactions with owners		20,323,613	24,834,921	(14,975,620)	30,182,914	0	30,182,914
Balance as at 31 December 2016		87,032,616	24,834,921	124,618,942	236,486,479	121,147,920	357,634,399

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

Statement of Changes in Equity

For the Financial Year Ended 31 December 2017

Company	Note	Share capital RM	<u>Non-Distributable</u> Share premium RM	<u>Distributable</u> Retained earnings RM	Total equity RM
Balance as at 1 January 2017		87,032,616	24,834,921	78,948,928	190,816,465
Profit for the financial year		0	0	430,821	430,821
Other comprehensive income, net of tax		0	0	0	0
Total comprehensive income		0	0	430,821	430,821
Transactions with owners					
Issuance of ordinary shares pursuant to exercise of warrants	10	125	0	0	125
Dividend	24	0	0	(3,481,309)	(3,481,309)
Total transactions with owners		125	0	(3,481,309)	(3,481,184)
Transfer pursuant to Companies Act, 2016	10	24,834,921	(24,834,921)	0	0
Balance as at 31 December 2017		111,867,662	0	75,898,440	187,766,102
Balance as at 1 January 2016		66,709,003	0	93,857,719	160,566,722
Profit for the financial year		0	0	66,829	66,829
Other comprehensive income, net of tax		0	0	0	0
Total comprehensive income		0	0	66,829	66,829
Transactions with owners					
Issuance of ordinary shares pursuant to:					
- exercise of warrants	10	12,591,338	0	0	12,591,338
- private placement	10	7,732,275	24,834,921	0	32,567,196
Dividends	24	0	0	(14,975,620)	(14,975,620)
Total transactions with owners		20,323,613	24,834,921	(14,975,620)	30,182,914
Balance as at 31 December 2016		87,032,616	24,834,921	78,948,928	190,816,465

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

Statements of Cash Flows

For the Financial Year Ended 31 December 2017



		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		45,506,985	48,258,639	652,662	272,595
Adjustments for:					
Amortisation of trademark	5	0	501	0	0
Bad debts written off		0	13,190	0	0
Depreciation of property, plant and equipment	4	33,299,777	34,373,432	0	0
Finance costs	21	357,397	1,387,895	10,136	0
Gain on disposal of property, plant and equipment		(7,197,370)	(81,458)	0	0
Impairment of property, plant and equipment	4	4,068,031	0	0	0
Inventories written down	7	2,984,082	11,202,427	0	0
Provision for material litigation	15	4,327,777	0	0	0
Waiver of government fund	19	0	(1,000,000)	0	0
Net unrealised loss on foreign exchange		1,125,952	3,217,980	0	0
Interest income		(24,774)	(67,722)	(1,041,786)	(1,035,007)
Operating profit/(loss) before changes in working capital		84,447,857	97,304,884	(378,988)	(762,412)
Decrease/(Increase) in inventories		16,581,739	(33,412,517)	0	0
Decrease/(Increase) in trade and other receivables		20,391,322	(4,180,053)	1,201,697	(25,695,289)
(Decrease)/Increase in trade and other payables		(88,498,065)	40,764,227	1,614,632	(3,139,914)
Cash generated from/(used in) operations		32,922,853	100,476,541	2,437,341	(29,597,615)
Interest received		24,774	67,722	1,041,786	1,035,007
Interest paid		(357,397)	(1,387,895)	(10,136)	0
Tax refunded		53,625	18,530	0	0
Tax paid		(7,186,321)	(3,570,097)	(273,046)	(115,127)
Net cash from/(used in) operating activities		25,457,534	95,604,801	3,195,945	(28,677,735)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	4	(4,342,508)	(89,612,431)	0	0
Proceeds from disposal of property, plant and equipment		16,000	100,388	0	0
Net cash used in investing activities		(4,326,508)	(89,512,043)	0	0

Statements of Cash Flows (Cont'd)

For the Financial Year Ended 31 December 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid	24	(3,481,309)	(14,975,620)	(3,481,309)	(14,975,620)
Drawdown of bankers' acceptances		10,030,087	862,890	0	0
Repayments of:					
- bankers' acceptances		(10,030,087)	(26,217,580)	0	0
- hire purchase		0	(1,385,860)	0	0
- term loan		(11,306,145)	(3,770,046)	0	0
Proceeds from issuance of shares pursuant to:					
- exercise of warrants	10	125	12,591,338	125	12,591,338
- private placement	10	0	32,567,196	0	32,567,196
Repayment of government fund	19	0	(1,000,000)	0	0
Net cash (used in)/from financing activities		<u>(14,787,329)</u>	<u>(1,327,682)</u>	<u>(3,481,184)</u>	<u>30,182,914</u>
Net increase/(decrease) in cash and cash equivalents		6,343,697	4,765,076	(285,239)	1,505,179
Effects of exchange rate changes on cash and cash equivalents		(852,979)	(369,465)	0	0
Cash and cash equivalents at beginning of financial year		<u>4,810,322</u>	<u>414,711</u>	<u>1,513,418</u>	<u>8,239</u>
Cash and cash equivalents at end of financial year	9(a)	10,301,040	4,810,322	1,228,179	1,513,418

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings		Hire purchase liability	
	Group RM	Company RM	Group RM	Company RM
At 1 January 2017	11,306,145	0	47,042,253	0
Cash flows	(11,306,145)	0	0	0
Non-cash flows:				
- Effect of foreign exchange	0	0	(1,990,706)	0
- Contra against disposal of property, plant and equipment	0	0	(45,051,547)	0
At 31 December 2017	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2017



1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 51-21-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang.

The principal place of business of the Company is located at Plot 159, MK 13, Jalan Perindustrian Bukit Minyak 7, Bukit Minyak Industrial Park, 14000 Bukit Mertajam, Penang.

The consolidated financial statements for the financial year ended 31 December 2017 comprise the financial statements of the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ('RM'), which is also the functional currency of the Company.

The financial statements for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution by the Board of Directors on 20 April 2018.

2. PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

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

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 29(a) to the financial statements.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in financial statements.

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017

4. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.1.2017 RM	Additions RM	Disposals RM	Impairment losses RM	Depreciation charges for the financial year RM	Reclassification RM	Balance as at 31.12.2017 RM
Carrying amount							
Long term leasehold land	12,060,946	0	0	0	(243,246)	0	11,817,700
Freehold land	258,352	0	0	0	0	0	258,352
Buildings and factory buildings	176,173,028	894,004	0	(4,068,031)	(3,823,999)	732,000	169,907,002
Office equipment, furniture and fittings	1,680,584	227,850	0	0	(217,737)	0	1,690,697
Plant and machinery	217,410,422	964,025	(39,860,881)	0	(28,437,095)	0	150,076,471
Motor vehicles	1,313,647	2,249,129	(2)	0	(577,700)	0	2,985,074
Electrical installation	1	0	0	0	0	0	1
Capital work-in-progress	724,500	7,500	0	0	0	(732,000)	0
	<u>409,621,480</u>	<u>4,342,508</u>	<u>(39,860,883)</u>	<u>(4,068,031)</u>	<u>(33,299,777)</u>	<u>0</u>	<u>336,735,297</u>
← As at 31.12.17 →							
		Cost RM	Accumulated depreciation RM	Accumulated impairment losses RM	Carrying amount RM		
Long term leasehold land		14,529,032	2,711,332	0	11,817,700		
Freehold land		258,352	0	0	258,352		
Buildings and factory buildings		191,620,979	17,645,946	4,068,031	169,907,002		
Office equipment, furniture and fittings		3,541,015	1,850,318	0	1,690,697		
Plant and machinery		328,249,224	178,172,753	0	150,076,471		
Motor vehicles		7,609,028	4,623,954	0	2,985,074		
Electrical installation		48,435	48,434	0	1		
		<u>545,856,065</u>	<u>205,052,737</u>	<u>4,068,031</u>	<u>336,735,297</u>		

For the Financial Year Ended 31 December 2017



Group	Balance as at 1.1.2016 RM	Additions RM	Disposals RM	Depreciation charges for the financial year RM	Reclassification RM	Balance as at 31.12.2016 RM
Carrying amount						
Long term leasehold land	12,304,191	0	0	(243,245)	0	12,060,946
Freehold land	258,352	0	0	0	0	258,352
Buildings and factory buildings	88,034,205	11,917,368	0	(2,920,830)	79,142,285	176,173,028
Office equipment, furniture and fittings	477,124	1,079,330	0	(136,332)	260,462	1,680,584
Plant and machinery	223,379,207	23,602,242	0	(30,561,497)	990,470	217,410,422
Motor vehicles	930,139	913,966	(18,930)	(511,528)	0	1,313,647
Electrical installation	1	0	0	0	0	1
Capital work-in-progress	29,018,192	52,099,525	0	0	(80,393,217)	724,500
	354,401,411	89,612,431	(18,930)	(34,373,432)	0	409,621,480

	←	As at 31.12.2016		→
	Cost RM	Accumulated depreciation RM	Carrying amount RM	
Long term leasehold land	14,529,032	2,468,086	12,060,946	
Freehold land	258,352	0	258,352	
Buildings and factory buildings	189,994,976	13,821,948	176,173,028	
Office equipment, furniture and fittings	3,313,879	1,633,295	1,680,584	
Plant and machinery	373,724,754	156,314,332	217,410,422	
Motor vehicles	5,463,837	4,150,190	1,313,647	
Electrical installation	48,435	48,434	1	
Capital work-in-progress	724,500	0	724,500	
	588,057,765	178,436,285	409,621,480	

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017

4. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

- (a) All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Long term leasehold land is amortised equally over the lease period of 60 years, and has remaining tenure of 44 to 49 (2016: 45 to 50) years.

Freehold land has an unlimited useful life and is not depreciated. Capital work-in-progress represents machinery under installation and is stated at cost. Capital work-in-progress is not depreciated until such time when the asset is available for use.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal annual depreciation rates are as follows:

Buildings and factory buildings	2%
Office equipment, furniture and fittings	8% - 10%
Plant and machinery	5% - 10%
Motor vehicles	16% - 20%
Electrical installation	10%

- (b) The carrying amount of the property, plant and equipment of the Group under hire purchase at the end of the reporting period are as follows:

	2017 RM	Group 2016 RM
Plant and machinery	0	41,795,876

- (c) In the previous financial year, long term leasehold land and factory buildings with a carrying amount of RM32,442,491 have been charged to a bank for credit facilities granted to the Group as disclosed in Note 11(b) to the financial statements.
- (d) During the financial year, the Group has carried out impairment review of long term leasehold land and certain factory buildings. An impairment loss of RM4,068,031 has been recognised in the profit or loss. The recoverable amount was based on the use of external independent valuation expertise.

The fair value of the long term leasehold land and certain factory buildings, which are at Level 2 fair value were determined by external and independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuations are based on comparison method.

- (e) Impairment assessment

The Group assessed whether there were any indicators of impairment during the financial year. In doing this, management considered the current environments and performance of the Cash Generating Unit ('CGU'). Management considered slow down in production activities of the Solar segment following the fluctuation in demand which resulted in reduction in profit contribution as impairment indicators and the relevant property, plant and equipment represents RM143,470,587 out of the property, plant and equipment of RM336,735,297 as at 31 December 2017. This also represents 43% of the total property, plant and equipment of the Group.

Management has made estimates about the future results and key assumptions applied to cash flow projection of the CGU in determining their recoverable amounts using the Value-in-Use model ('VIU'). These key assumptions include forecast growth in future revenues and operating profit margins, as well as determining an appropriate pre-tax discount rate and growth rate. Management has determined that the recoverable amounts are in excess of the carrying amounts of the property, plant and equipment and no impairment has been recorded in the current year.

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017



5. TRADEMARK

Group	Balance as at 31.12.2017 RM
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Carrying amount

Trademark	0
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	← As at 31.12.17 →	
	Cost RM	Accumulated amortisation RM
Trademark	16,865	16,865
		Carrying amount RM
		0

Group	Balance as at 1.1.2016 RM	Amortisation charges for the financial year RM	Balance as at 31.12.2016 RM
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Carrying amount

Trademark	501	501	0
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	← As at 31.12.16 →	
	Cost RM	Accumulated amortisation RM
Trademark	16,865	16,865
		Carrying amount RM
		0

Expenditure on acquired trademark is capitalised and amortised using the straight line method over its estimated useful life of a period of eight (8) years. Trademark is not revalued and is shown at cost less accumulated amortisation and any accumulated impairment losses.

6. INVESTMENTS IN SUBSIDIARIES

	Company
	2017 RM
	2016 RM

At cost

Unquoted shares	155,543,093	155,543,093
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- (a) An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost.

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017

6. INVESTMENTS IN SUBSIDIARIES (Cont'd)

(b) The details of the subsidiaries, all incorporated in Malaysia, are as follows:

Name of company	Equity interest held		Principal activities
	2017	2016	
Tek Seng Sdn. Bhd.	100%	100%	Trading of polyvinyl chloride ('PVC') products and photovoltaic products such as solar cells, solar panels and solar modules
Wangsaga Industries Sdn. Bhd.	100%	100%	Manufacturing of PVC related products
Pelangi Segi Sdn. Bhd.	100%	100%	Trading of PVC products
Double Grade Non-Woven Industries Sdn. Bhd.	100%	100%	Manufacturing of polypropylene ('PP') non-woven related products and letting of properties
TS Solartech Sdn. Bhd.	50.69%	50.69%	Manufacturing and sales of photovoltaic products such as solar cells, solar panels or solar modules

All subsidiaries are audited by BDO Malaysia.

(c) The subsidiary of the Group that has material non-controlling interests ('NCI') is as follows:

	TS Solartech Sdn. Bhd.	
	2017	2016
NCI percentage of ownership interest and voting interest	49.31%	49.31%
Carrying amount of NCI (RM)	<u>132,085,029</u>	<u>121,147,920</u>
Profit allocated to NCI (RM)	<u>10,937,109</u>	<u>8,214,275</u>

(d) The summarised financial information before intra-group elimination of the subsidiary that has material NCI as at the end of each reporting period are as follows:

	TS Solartech Sdn. Bhd.	
	2017	2016
Assets and liabilities		
Non-current assets	282,468,678	351,798,508
Current assets	37,080,745	81,107,836
Non-current liabilities	(8,614,300)	(45,602,437)
Current liabilities	<u>(43,068,506)</u>	<u>(141,617,596)</u>
Net assets	<u>267,866,617</u>	<u>245,686,311</u>
Result		
Revenue	117,785,670	254,348,356
Profit for the financial year	22,180,306	16,658,439
Total comprehensive income	<u>22,180,306</u>	<u>16,658,439</u>
Cash flows (used in)/from operating activities	(109,776)	99,977,765
Cash flow used in investing activity	(195,734)	(87,271,776)
Cash flows used in financing activities	0	(2,385,860)
Net (decrease)/increase in cash and cash equivalents	<u>(305,510)</u>	<u>10,320,129</u>
Dividends paid to NCI	<u>N/A</u>	<u>N/A</u>

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017



7. INVENTORIES

	Group	
	2017 RM	2016 RM
At cost		
Raw materials	16,918,310	18,671,161
Work-in-progress	5,430,945	5,109,895
Finished goods	11,542,096	9,877,951
Consumables	9,441,214	8,980,182
	43,332,565	42,639,189
At net realisable value		
Finished goods	12,277,160	32,536,357
	55,609,725	75,175,546

Cost is determined using the first-in, first-out basis for all inventories, other than solar cells which uses the weighted average basis.

Inventories where the net realisable value is expected to be below the carrying amount were written down. The amount written down during the financial year was RM2,984,082 (2016: RM11,202,427).

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade receivables				
Third parties	28,079,285	26,757,460	0	0
Shareholder of a subsidiary	1,806,729	6,853	0	0
	29,886,014	26,764,313	0	0
Other receivables				
Third parties	3,246,967	24,899,530	0	0
Amounts owing by subsidiaries	0	0	32,850,658	34,052,355
	3,246,967	24,899,530	32,850,658	34,052,355
Loans and receivables	33,132,981	51,663,843	32,850,658	34,052,355
Deposits and prepayments				
Deposits	218,271	139,550	0	0
Advance payment to suppliers	0	2,347,511	0	0
Prepayments	147,468	281,247	0	0
	365,739	2,768,308	0	0
	33,498,720	54,432,151	32,850,658	34,052,355

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017

8. TRADE AND OTHER RECEIVABLES (Cont'd)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Financial instruments classification:				
Loans and receivables	33,132,981	51,663,843	32,850,658	34,052,355
Cash and bank balances (Note 9)	10,301,040	4,810,322	1,228,179	1,513,418
Total loan and receivables	43,434,021	56,474,165	34,078,837	35,565,773

- (a) Trade and other receivables are classified as loans and receivables, and measured at amortised cost using the effective interest method.
- (b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 30 to 120 days (2016: 30 to 120 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (c) Amounts owing by subsidiaries represent advances which are unsecured, bearing a weighted average interest of 3% (2016: 3.21%) per annum and payable upon demand in cash and cash equivalents.
- (d) Including in other receivables is an amount of RM841,784 (2016: RM 23,152,421) owing from a customer, representing 26% (2016: 93%) of total other receivables of the Group.
- (e) The ageing analysis of trade receivables of the Group is as follows:

	Group	
	2017 RM	2016 RM
Neither past due nor impaired	16,760,338	18,270,451
Past due, but not impaired		
1 to 30 days	5,587,156	5,385,825
31 to 60 days	4,887,494	1,856,872
61 to 90 days	138,479	422,738
More than 91 days	2,512,547	828,427
	13,125,676	8,493,862
	29,886,014	26,764,313

Receivables that are neither past due nor impaired

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

None of the trade receivables of the Group that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

Trade receivables that are past due but not impaired amounting to RM13,125,676 (2016: RM8,493,862) mainly arose from active corporate clients with healthy business relationship, in which the management is of the view that the amounts are recoverable based on past payment history. The trade receivables that are past due but not impaired are unsecured in nature.

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017



8. TRADE AND OTHER RECEIVABLES (Cont'd)

- (f) The Group determines concentration of credit risk by monitoring the country profiles of its trade receivables on an ongoing basis. The credit risk concentration profile of the trade receivables of the Group at the end of the reporting period are as follows:

	Group		Group	
	2017		2016	
	RM	% of total	RM	% of total
By country:				
Malaysia	23,179,404	78%	24,473,455	91%
South Korea	3,838,750	13%	134,664	1%
Taiwan	2,085,134	7%	6,853	*
Ecuador	128,079	*	134,224	*
Vietnam	49,615	*	191,597	1%
Durban	14,335	*	346,468	1%
Singapore	0	0%	805,736	3%
Philippines	0	0%	277,122	1%
Indonesia	0	0%	165,394	1%
Others	590,697	2%	228,800	1%
	29,886,014	100%	26,764,313	100%

* Amount is less than 1%

- (i) At the end of the reporting period, the Group has no significant concentration of credit risk on trade receivables.
- (ii) At the end of the reporting period, 100% (2016: 100%) of the receivables of the Company was due from its subsidiaries.
- (g) The currency exposure profile of loans and receivables are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Ringgit Malaysia	24,307,361	25,710,678	32,850,658	34,052,355
United States Dollar ('USD')	8,825,620	25,953,165	0	0
	33,132,981	51,663,843	32,850,658	34,052,355

- (h) The following table demonstrates the sensitivity of the profit net of tax of the Group to a reasonably possible change in USD exchange rate against the functional currency of the Group, with all other variables held constant:

	Group	
	2017	2016
	RM	RM
USD/RM		
- Strengthened by 3% (2016: 3%)	201,200	591,700
- Weakened by 3% (2016: 3%)	(201,200)	(591,700)

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017

8. TRADE AND OTHER RECEIVABLES (Cont'd)

- (i) The following table demonstrates the sensitivity analysis of the Company if interest rates at the end of each reporting period changed by fifty (50) basis points with all other variables held constant:

	Company	
	2017 RM	2016 RM
Amount owing by subsidiaries		
- 50 basis point higher	124,800	129,400
- 50 basis point lower	<u>(124,800)</u>	<u>(129,400)</u>

9. CASH AND BANK BALANCES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and bank balances	8,449,030	4,000,322	776,169	1,513,418
Deposit with a licensed bank	1,852,010	810,000	452,010	0
	<u>10,301,040</u>	<u>4,810,322</u>	<u>1,228,179</u>	<u>1,513,418</u>

- (a) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of the reporting period:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and bank balances	8,449,030	4,000,322	776,169	1,513,418
Deposit with a licensed bank (not more than three (3) months)	1,852,010	810,000	452,010	0
	<u>10,301,040</u>	<u>4,810,322</u>	<u>1,228,179</u>	<u>1,513,418</u>

- (b) The currency exposure profile of cash and bank balances are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	3,659,777	2,896,107	1,228,179	1,513,418
United States Dollar ('USD')	6,585,336	1,887,765	0	0
Singapore Dollar ('SGD')	23,300	18,629	0	0
Euro ('EURO')	32,627	7,821	0	0
	<u>10,301,040</u>	<u>4,810,322</u>	<u>1,228,179</u>	<u>1,513,418</u>

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017



9. CASH AND BANK BALANCES (Cont'd)

- (c) The following table demonstrates the sensitivity of the profit net of tax of the Group to a reasonably possible change in USD exchange rate against the functional currency of the Group, with all other variables held constant:

	Group	
	2017 RM	2016 RM
USD/RM		
- Strengthened by 3% (2016: 3%)	150,100	43,000
- Weakened by 3% (2016: 3%)	(150,100)	(43,000)

The exposure to the other currencies are not significant, hence the effect of the changes in the exchange rates are not explained.

- (d) The effective interest rate of deposit with a licensed bank of the Group is 2.35% (2016: 2.35%) per annum, and the maturity days is 6 days. (2016: 4 days)
- (e) The exposure to interest risk is insignificant as the cash and bank balances are short term in nature and they are not held for speculative purposes but have been placed in fixed deposits, which yield better returns than cash at bank.

10. SHARE CAPITAL

	Group and Company			
	2017		2016	
	Number of shares	RM	Number of shares	RM
Ordinary shares				
<u>Issued and fully paid</u>				
Balance as at 1 January	348,130,462	87,032,616	266,836,012	66,709,003
Issued for cash pursuant to:				
- exercise of warrants	500	125	50,365,350	12,591,338
- private placement	0	0	30,929,100	7,732,275
Transfer from share premium account pursuant to the new Companies Act, 2016	0	24,834,921	0	0
Balance as at 31 December	348,130,962	111,867,662	348,130,462	87,032,616

- (a) During the financial year, the issued and fully paid-up share capital of the Company was increased from 348,130,462 to 348,130,962 by way of issuance of 500 new ordinary shares pursuant to the exercise of warrants at RM0.25 each for cash.
- (b) In the previous financial year,
- issuance of 50,365,350 new ordinary shares pursuant to the exercise of warrants at RM0.25 per ordinary share;
 - issuance of 27,301,600 new ordinary shares pursuant to first tranche of the private placement at RM1.06 per ordinary share; and
 - issuance of 3,627,500 new ordinary shares pursuant to second tranche of the private placement at RM1.00 per ordinary share.

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017

10. SHARE CAPITAL (Cont'd)

(c) Warrants

The warrants of 120,000,000 issued pursuant to the bonus issue exercise of the Company were constituted by a deed poll dated 16 January 2015 ('Deed Poll'). The warrants were listed on the Main Market of Bursa Malaysia on 10 February 2015. The main features of the warrants are as follows:

- (i) Each warrant carries the entitlement, at any time during the Exercise Period, to subscribe for one (1) new ordinary share of the Company at the exercise Price, subject to adjustments in accordance with the provisions of the Deed Poll.
- (ii) The exercise price of each warrant has been fixed at RM0.25, subject to adjustments under certain circumstances in accordance with the provision of the Deed Poll.
- (iii) The expiry date of warrants shall be the day falling immediately before the fifth (5th) anniversary of the date of issue of the warrants, whereupon any warrant, which has not been exercised will lapse and cease thereafter to be valid for any purpose.

As at the end of the financial year, 42,798,138 (2016: 42,798,638) warrants remained unexercised.

- (d) The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard residual assets of the Company.
- (e) With the introduction of the Companies Act, 2016 effective 31 January 2017, the concepts of authorised share capital and par value of share capital have been abolished. Consequently, balance within the share premium account of RM24,834,921 has been transferred to the share capital account pursuant to the transitional provisions set out in Section 618(2) of the Companies Act, 2016. Notwithstanding this provision, the Company may utilise its share premium account for purposes stipulated in Section 618(3) of the Companies Act, 2016 for a transitional period of 24 months from 31 January 2017. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the member as a result of this transition.

11. BORROWINGS

	Group	
	2017 RM	2016 RM
<u>Non-current liabilities</u>		
Secured		
Term loan	0	7,187,500
Hire purchase liability (Note 12)	0	42,635,737
	<u>0</u>	<u>49,823,237</u>
<u>Current liabilities</u>		
Secured		
Term loan	0	4,118,645
Hire purchase liability (Note 12)	0	4,406,516
	<u>0</u>	<u>8,525,161</u>
<u>Total borrowings</u>		
Term loan	0	11,306,145
Hire purchase liability (Note 12)	0	47,042,253
	<u>0</u>	<u>58,348,398</u>

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017



11. BORROWINGS (Cont'd)

- (a) Borrowings were classified as other financial liabilities, and measured at amortised cost using the effective interest method.
- (b) In the previous financial year, the term loan was repayable in eighty four (84) monthly instalments from January 2012, and was secured by:
- (i) legal charges on certain long term leasehold land and factory buildings of the Group (Note 4); and
 - (ii) corporate guarantee executed by the Company.
- (c) The currency exposure profile of borrowings were as follows:

	Group	
	2017 RM	2016 RM
Ringgit Malaysia	0	11,306,145
United States Dollar ('USD')	0	47,042,253
	<u>0</u>	<u>58,348,398</u>

- (d) The following table demonstrates the sensitivity of the profit net of tax of the Group to a reasonably possible change in USD exchange rate against the functional currency of the Group, with all other variables held constant:

	Group	
	2017 RM	2016 RM
USD/RM		
- Strengthened by 3% (2016: 3%)	0	(1,072,600)
- Weakened by 3% (2016: 3%)	<u>0</u>	<u>1,072,600</u>

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017

11. BORROWINGS (Cont'd)

- (e) The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of each reporting period and the remaining maturities of the borrowings of the Group that are exposed to interest rate risk:

Group	Weighted average interest rate %	Within one (1) year RM	One (1) to two (2) years RM	Two (2) to three (3) years RM	Three (3) to four (4) years RM	Four (4) to five (5) years RM	More than five (5) years RM	Total RM
At 31 December 2016								
Fixed rate								
Hire purchase liability (Note 12)	2.25	4,406,516	4,506,589	4,608,939	4,713,613	4,820,663	23,985,933	47,042,253
Floating rates								
Term loan	5.73	4,118,645	3,750,000	3,437,500	0	0	0	11,306,145

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017



11. BORROWINGS (Cont'd)

- (f) The following table demonstrates the sensitivity analysis of the Group if interest rates at the end of each reporting period changed by fifty (50) basis points with all other variables held constant:

	Group	
	2017 RM	2016 RM
Term loan		
- 50 basis point higher	0	(43,000)
- 50 basis point lower	0	43,000

Hire purchase is fixed rate instrument. Sensitivity analysis at the end of the reporting period is not presented as fixed rate instrument is not affected by change in interest rates.

- (g) The table below summarises the maturity profile of borrowings of the Group at the end of the reporting period based on contractual undiscounted repayment obligations:

	On demand or within one (1) year RM	One (1) to five (5) years RM	Over five (5) years RM	Total RM
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Group

As at 31 December 2017

Borrowings	0	0	0	0
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As at 31 December 2016

Borrowings	10,063,041	29,289,357	25,288,371	64,640,769
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- (h) Borrowings that are not carried at fair values and whose carrying amounts are not reasonable approximation of fair values, are as follows:

	Carrying amount RM	Fair value RM
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As at 31 December 2017

Hire purchase liability	0	0
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As at 31 December 2016

Hire purchase liability	47,042,253	46,602,512
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In the previous financial year, the fair value of hire purchase liabilities was categorised as Level 2 in the fair value hierarchy.

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017

12. HIRE PURCHASE LIABILITY

The maturity of the hire purchase was as follows:

	Group	
	2017 RM	2016 RM
Future minimum lease payments:		
	0	5,418,690
Not later than one (1) year	0	5,418,690
Later than one (1) year and not later than two (2) years	0	5,418,690
Later than two (2) years and not later than three (3) years	0	5,418,690
Later than three (3) years and not later than four (4) years	0	5,418,690
Later than four (4) years and not later than five (5) years	0	5,418,690
Later than five (5) years	0	25,288,371
Total future minimum lease payments	0	52,381,821
Less: Future finance charges	0	(5,339,568)
Present value of finance lease liabilities	0	47,042,253

Analysis of present value of hire purchase liability:

Not later than one (1) year	0	4,406,516
Later than one (1) year and not later than two (2) years	0	4,506,589
Later than two (2) years and not later than three (3) years	0	4,608,939
Later than three (3) years and not later than four (4) years	0	4,713,613
Later than four (4) years and not later than five (5) years	0	4,820,663
Later than five (5) years	0	23,985,933
	0	47,042,253
Less: Amount due within twelve (12) months	0	(4,406,516)
Amount due after twelve (12) months	0	42,635,737

13. DEFERRED TAX LIABILITIES

(a) The deferred tax liabilities are made up of the following:

	Group	
	2017 RM	2016 RM
Balance as at 1 January	9,150,500	4,529,700
Recognised in profit or loss (Note 22)	4,768,900	4,620,800
Balance as at 31 December	13,919,400	9,150,500
Presented after appropriate offsetting:		
Deferred tax assets	(17,224,000)	(24,131,000)
Deferred tax liabilities	31,143,400	33,281,500
	13,919,400	9,150,500

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017



13. DEFERRED TAX LIABILITIES (Cont'd)

- (b) The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group

	Property, plant and equipment RM
As at 31 December 2017	
As at 1 January 2017	33,281,500
Recognised in profit or loss	(2,138,100)
As at 31 December 2017	<u>31,143,400</u>
As at 31 December 2016	
As at 1 January 2016	6,899,200
Recognised in profit or loss	26,382,300
As at 31 December 2016	<u>33,281,500</u>

Deferred tax assets of the Group

	Reinvestment allowances RM	Unabsorbed tax losses RM	Unabsorbed capital allowances RM	Total RM
As at 31 December 2017				
As at 1 January 2017	0	(2,125,700)	(22,005,300)	(24,131,000)
Recognised in profit or loss	0	7,200	6,899,800	6,907,000
As at 31 December 2017	<u>0</u>	<u>(2,118,500)</u>	<u>(15,105,500)</u>	<u>(17,224,000)</u>
As at 31 December 2016				
As at 1 January 2016	(2,369,500)	0	0	(2,369,500)
Recognised in profit or loss	2,369,500	(2,125,700)	(22,005,300)	(21,761,500)
As at 31 December 2016	<u>0</u>	<u>(2,125,700)</u>	<u>(22,005,300)</u>	<u>(24,131,000)</u>

The deductible temporary differences do not expire under the current tax legislation.

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017

14. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Trade payables					
Third parties		7,030,141	10,209,796	0	0
Shareholder of a subsidiary		1,679,992	0	0	0
		8,710,133	10,209,796	0	0
Other payables					
Other payables					
- Third parties		13,771,111	88,354,359	1,247	669
- Amounts owing to subsidiaries		0	0	1,623,857	0
Dividend payable		0	5,278	0	5,278
Accruals		5,230,578	5,257,590	184,475	189,000
Deposits received		0	12,652,000	0	0
		19,001,689	106,269,227	1,809,579	194,947
Total trade and other payables		27,711,822	116,479,023	1,809,579	194,947
Financial instruments classification:					
Trade and other payables		27,711,822	116,479,023	1,809,579	194,947
Borrowings	11	0	58,348,398	0	0
Total financial liabilities carried at amortised cost		27,711,822	174,827,421	1,809,579	194,947

- (a) Trade and other payables are classified as other financial liabilities, and measured at amortised cost using the effective interest method.
- (b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 60 days (2016: 30 to 60 days).
- (c) Amounts owing to subsidiaries of the Company represented advances which were unsecured, bearing a weighted average interest of 3% per annum and payable upon demand in cash and cash equivalents.
- (d) In the previous financial year, included in other payables is an amount of RM68,215,267 representing advance payments received from a customer of the Group.
- (e) The currency exposure profile of trade and other payables are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	20,785,343	96,304,928	1,809,579	194,947
United States Dollar ('USD')	6,636,642	19,794,992	0	0
Euro ('EURO')	221,035	211,877	0	0
Taiwan Dollar ('TWD')	68,802	167,226	0	0
	27,711,822	116,479,023	1,809,579	194,947

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017



14. TRADE AND OTHER PAYABLES (Cont'd)

- (f) The following table demonstrates the sensitivity of the profit net of tax of the Group to a reasonably possible change in USD, EURO and TWD exchange rates against the functional currency of the Group, with all other variables held constant:

	Group Profit net of tax	
	2017 RM	2016 RM
USD/RM		
- Strengthened by 3% (2016: 3%)	(151,300)	(451,300)
- Weakened by 3% (2016: 3%)	151,300	451,300
EURO/RM		
- Strengthened by 3% (2016: 3%)	(5,000)	(4,800)
- Weakened by 3% (2016: 3%)	5,000	4,800
TWD/RM		
- Strengthened by 3% (2016: 3%)	(1,500)	(3,800)
- Weakened by 3% (2016: 3%)	1,500	3,800

- (g) The following table sets out the carrying amounts, the weighted average effective interest rates as at the end of the previous reporting period and the remaining maturities of the financial instruments of the Group that are exposed to interest rate risk:

	Weighted average effective interest rate %	Within one (1) year RM	Total RM
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At 31 December 2017

Company

Fixed rate

Amount owing to subsidiaries	3.00	1,623,857	1,623,857
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- (h) If interest rates were to increase or decrease by 50 basis points with all other variables held constant, the Company's profit after tax would decrease or increase by RM6,200 as a result of higher or lower interest expense on these borrowings.

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017

14. TRADE AND OTHER PAYABLES (Cont'd)

- (i) The table below summarises the maturity profile of trade and other payables of the Group and of the Company at the end of each reporting period based on contractual undiscounted repayment obligations:

	On demand or within one (1) year RM	Total RM
As at 31 December 2017		
Group		
Financial liability		
Trade and other payables	<u>27,711,822</u>	<u>27,711,822</u>
Company		
Financial liability		
Trade and other payables	<u>1,809,579</u>	<u>1,809,579</u>
As at 31 December 2016		
Group		
Financial liability		
Trade and other payables	<u>116,479,023</u>	<u>116,479,023</u>
Company		
Financial liability		
Trade and other payables	<u>194,947</u>	<u>194,947</u>

15. PROVISION

	2017 RM	Group 2016 RM
Provision for material litigation	<u>4,327,777</u>	<u>0</u>

The Group made a provision of RM4,327,777, pursuant to a High Court decision for a claim by Tenaga Nasional Berhad ("TNB") against the Group's wholly owned subsidiary company, Wangsaga Industries Sdn. Bhd. ("WISB"). The High Court decision was in favour of TNB for electricity consumption by WISB which was in arrears.

Details of provision for material litigation are disclosed in Note 28 to the financial statements.

16. CAPITAL COMMITMENTS

	2017 RM	Group 2016 RM
Capital expenditure in respect of purchase of property, plant and equipment:		
Contracted but not provided for	<u>0</u>	<u>4,382,237</u>

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017



17. CONTINGENT LIABILITIES

	Company	
	2017 RM	2016 RM
Unsecured		
Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries (Note 11)	84,979,700	124,624,100
Corporate guarantees given to suppliers of subsidiaries	5,686,800	6,280,400

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The Directors are of the view that the chances of the financial institutions and suppliers to call upon the corporate guarantee are remote. Accordingly, the fair values of the above corporate guarantees are negligible.

18. REVENUE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Sale of goods	285,715,718	437,386,166	0	0
Management fee from subsidiaries	0	0	84,000	84,000
Interest received from:				
- deposit with financial institutions	0	0	12,469	55,578
- advances to subsidiaries	0	0	1,029,317	979,429
	285,715,718	437,386,166	1,125,786	1,119,007

(a) Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer and where the Group retains no continuing managerial involvement over the goods, which coincides with the delivery of goods and services and acceptance by customers.

(b) Management fees are recognised when services are rendered.

(c) Interest income is recognised as it accrues, using the effective interest method.

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017

19. OTHER OPERATING INCOME

	Group	
	2017 RM	2016 RM
Bad debts recovered	0	900
Compensation from a customer (Note (a))	63,271,457	15,403,124
Gain on disposal of property, plant and equipment	7,197,370	81,458
Gain on foreign exchange		
- realised	703,947	2,899,335
- unrealised	187,453	75,201
Income from sale of solar energy (Note (b))	2,859,905	376,535
Interest income	24,774	67,722
Waiver of government fund (Note (c))	0	1,000,000
Others	358,543	124,484
	74,603,449	20,028,759

(a) Compensation amount comprised mainly the agreed payment of damages/ liquidated damages by a customer who failed to load minimum order quantity of solar cells to TS Solartech Sdn. Bhd., a subsidiary of the Company pursuant to the terms and conditions of a manufacturing and supply of solar cell contract dated 8 October 2015 between TS Solartech Sdn. Bhd. and the said customer.

(b) Income from sale of solar energy is recognised when the solar energy is generated from the solar panel installed.

(c) In the previous financial year, the Company paid off RM1,000,000 and the remaining RM1,000,000 was being waived by Northern Corridor Implementation Authority, Malaysia.

20. EMPLOYEE BENEFITS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Directors' fee	194,250	185,000	194,250	185,000
Directors' emoluments	3,463,848	3,251,005	0	0
Salaries, wages, bonus and allowance	21,153,316	28,525,693	0	0
Contributions to defined contribution plan	1,808,664	2,028,793	0	0
Social security contributions	254,493	346,828	0	0
Other benefits	431,966	1,044,853	0	0
	27,306,537	35,382,172	194,250	185,000

The remuneration of Directors during the financial year were as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Directors' fee	194,250	185,000	194,250	185,000
Short term employee benefits	3,093,572	2,905,637	0	0
Contributions to defined contribution plan	370,276	345,368	0	0
	3,658,098	3,436,005	194,250	185,000

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017



21. FINANCE COSTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest expense on:				
- bank overdrafts	312	190,750	164	0
- hire purchase	0	344,070	0	0
- short term bank loans	72,433	23,869	0	0
- term loan	273,667	767,751	0	0
- amount owing to a Director	0	32,150	0	0
- amount owing to subsidiaries	0	0	9,972	0
Letter of credits charges	10,985	29,305	0	0
	357,397	1,387,895	10,136	0

22. TAX EXPENSE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current tax expense based on profit for the financial year	6,346,337	5,334,462	216,249	208,079
Under/(Over)provision of income tax in prior years	166,638	(1,104,094)	5,592	(2,313)
	6,512,975	4,230,368	221,841	205,766
Deferred tax (Note 13):				
Relating to origination and reversal of temporary differences	4,171,444	4,275,068	0	0
Underprovision in prior years	597,456	345,732	0	0
	4,768,900	4,620,800	0	0
	11,281,875	8,851,168	221,841	205,766

On 14 March 2011, a subsidiary of the Group has been granted investment tax allowance by the Malaysian Investment Development Authority ('MIDA'). Subject to the agreement of the Inland Revenue Board, the Group has unutilised investment tax allowance amounting to approximately RM140,311,479 (2016: RM140,311,479) available to set-off against future taxable income.

The numerical reconciliations between the tax expense and the product of accounting profit multiplied by the applicable tax rate of the Group and of the Company are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit before tax	45,506,985	48,258,639	652,662	272,595
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	10,921,676	11,582,073	156,639	65,423

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017

22. TAX EXPENSE (Cont'd)

The numerical reconciliations between the tax expense and the product of accounting profit multiplied by the applicable tax rate of the Group and of the Company are as follows (Cont'd):

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Tax effects in respect of:				
Non-allowable expenses	2,038,517	2,028,396	62,204	152,992
Non-taxable income	(2,442,412)	(824,723)	(2,594)	(10,336)
Tax incentives and allowances	0	(178,416)	0	0
Utilisation of previously unrecognised deferred tax assets	0	(2,997,800)	0	0
	10,517,781	9,609,530	216,249	208,079
Under/(Over)provision in prior years:				
- income tax	166,638	(1,104,094)	5,592	(2,313)
- deferred tax	597,456	345,732	0	0
	11,281,875	8,851,168	221,841	205,766

23. EARNINGS PER SHARE

(a) Basic earnings per ordinary share

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2017 RM	2016 RM
Profit attributable to equity holders of the parent	23,288,001	31,193,196
Weighted average number of ordinary shares in issue (units)	348,130,744	320,844,311
Basic earnings per ordinary share	0.07	0.10

(b) Diluted earnings per ordinary share

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

	Group	
	2017 RM	2016 RM
Profit attributable to equity holders of the parent	23,288,001	31,193,196
Weighted average number of ordinary shares in issue (units)	371,266,644	353,743,495
Diluted earnings per ordinary share	0.06	0.09
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary share (units)	348,130,744	320,844,311
Effect of dilution arising from unexercised warrants (units)	23,135,900	32,899,184
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share (units)	371,266,644	353,743,495

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017



24. DIVIDENDS

	Group and Company			
	2017		2016	
	Dividend per share sen	Amount of dividend RM	Dividend per share sen	Amount of dividend RM
In respect of financial year ended 31 December 2015:				
Single tier final dividend	0	0	1.5	4,888,168
In respect of financial year ended 31 December 2016:				
Single tier first interim dividend	0	0	1.0	3,215,718
Single tier second interim dividend	0	0	1.0	3,390,429
Single tier third interim dividend	0	0	1.0	3,481,305
In respect of financial year ended 31 December 2017:				
Single tier first interim dividend	1.0	3,481,309	0	0
	<u>1.0</u>	<u>3,481,309</u>	<u>4.5</u>	<u>14,975,620</u>

The Directors propose a single tier final dividend of 1 sen per ordinary share in respect of the current financial year ended 31 December 2017, subject to the approval of shareholders at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. This dividend, if approved by shareholders, would be accounted for as an appropriation of retained earnings in the financial year ending 31 December 2018.

25. RELATED PARTY DISCLOSURES

(a) Identities of related parties

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

The Company has controlling related party relationship with its direct subsidiaries.

(b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Subsidiaries:				
Interest received	0	0	1,029,317	979,429
Management fee	0	0	84,000	84,000
Interest paid	<u>0</u>	<u>0</u>	<u>9,972</u>	<u>0</u>
Shareholder of a subsidiary:				
Purchase of goods	5,894,376	23,729,073	0	0
Sale of goods	<u>49,317,648</u>	<u>78,046,893</u>	<u>0</u>	<u>0</u>

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017

25. RELATED PARTY DISCLOSURES (Cont'd)

- (b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year (Cont'd):

The related party transactions described above were undertaken on mutually agreed and negotiated terms.

Information regarding outstanding balances arising from related party transactions as at 31 December 2017 are disclosed in Notes 8 and 14 to the financial statements.

- (c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and of the Company.

There are no other key management personnel having the authority and responsible for planning, directing and controlling the activities of the Group other than the Directors.

Remunerations of Directors are disclosed in Note 20 to the financial statements.

26. OPERATING SEGMENTS

The Group is principally involved in investment holding and its subsidiaries are principally engaged in manufacturing and trading of Polyvinyl Chloride ('PVC') related products and Polypropylene ('PP') Non-Woven, manufacturing and trading of Solar Cell products.

The Group has arrived at four (4) reportable segments that are organised and managed separately according to the nature of products and services, specific expertise and technologies requirements, which requires different business and marketing strategies.

The reportable segments are summarised as follows:

- (i) PVC Sheeting
Manufacturing and trading of PVC Sheeting, parts for industrial and consumer use.
- (ii) PP Non-Woven
Manufacturing and trading of PP Non-Woven related products.
- (iii) PVC Leather
Trading of PVC Leather related products.
- (iv) Solar
Manufacturing and trading of Solar related products.

Other operating segments that do not meet the quantitative thresholds of an individual reporting segment comprise investment holding and operations related to trading of PVC products and materials.

The Group evaluates performance on the basis of profit or loss from operations before tax not including non-recurring losses.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

Even though loans and borrowings arise from financing activities rather than operating activities, they are allocated to the segments based on relevant factors.

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017



26. OPERATING SEGMENTS (Cont'd)

2017	PVC Sheeting RM	PP Non- Woven RM	PVC Leather RM	Solar RM	Others RM	Total RM
Revenue						
Total revenue	138,297,588	9,511,140	5,108,107	117,997,647	33,542,918	304,457,400
Inter-segment revenue	(17,440,602)	(206,288)	0	(1,005)	(1,093,787)	(18,741,682)
Revenue from external customers	120,856,986	9,304,852	5,108,107	117,996,642	32,449,131	285,715,718
Interest income	17,445	1,343	737	565	4,684	24,774
Finance costs	(257,106)	(19,795)	(10,867)	(599)	(69,030)	(357,397)
Net finance expense	(239,661)	(18,452)	(10,130)	(34)	(64,346)	(332,623)
Depreciation	(5,550,809)	(427,360)	(234,609)	(25,596,651)	(1,490,348)	(33,299,777)
Impairment loss	0	0	0	(4,068,031)	0	(4,068,031)
Provision for material litigation	(3,118,561)	(240,100)	(131,808)	0	(837,308)	(4,327,777)
Segment profit before income tax	12,719,482	979,281	537,598	27,855,545	3,415,079	45,506,985
Income tax expense	(4,060,012)	(312,583)	(171,599)	(5,647,600)	(1,090,081)	(11,281,875)
Segment assets	84,077,173	6,473,152	3,553,582	319,500,770	22,574,046	436,178,723
Segment liabilities	(20,874,257)	(1,607,122)	(882,265)	(18,832,183)	(5,604,571)	(47,800,398)
Additions to non-current assets	2,988,131	230,058	126,296	195,734	802,289	4,342,508

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017

26. OPERATING SEGMENTS (Cont'd)

2016	PVC Sheeting RM	PP Non- Woven RM	PVC Leather RM	Solar RM	Others RM	Total RM
Revenue						
Total revenue	153,851,401	9,705,521	6,053,806	254,577,135	33,579,417	457,767,280
Inter-segment revenue	(19,044,850)	(220,805)	(3,955)	(90,589)	(1,020,915)	(20,381,114)
Revenue from external customers	134,806,551	9,484,716	6,049,851	254,486,546	32,558,502	437,386,166
Interest income	47,455	3,338	2,130	3,338	11,461	67,722
Finance costs	(599,673)	(42,192)	(26,912)	(574,285)	(144,833)	(1,387,895)
Net finance expense	(552,218)	(38,854)	(24,782)	(570,947)	(133,372)	(1,320,173)
Depreciation	(5,918,940)	(416,445)	(265,630)	(26,342,874)	(1,429,543)	(34,373,432)
Amortisation	(369)	(26)	(17)	0	(89)	(501)
Segment profit before income tax	20,973,767	1,475,671	941,261	19,802,353	5,065,587	48,258,639
Income tax expense	(4,305,808)	(302,948)	(193,236)	(3,009,236)	(1,039,940)	(8,851,168)
Segment assets	81,938,847	5,765,051	3,677,253	432,871,114	19,789,885	544,042,150
Segment liabilities	(27,504,933)	(1,935,192)	(1,234,367)	(149,090,263)	(6,642,996)	(186,407,751)
Additions to non-current assets	1,759,511	123,796	78,963	87,225,203	424,958	89,612,431

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017



26. OPERATING SEGMENTS (Cont'd)

(a) Reconciliation of reportable segments' profit or loss to the Group's profit for the financial year is as follows:

	2017 RM	Group 2016 RM
Profit for the financial year		
Total profit for reportable segments	45,506,985	48,258,639
Tax expense	(11,281,875)	(8,851,168)
Profit for the financial year per consolidated statement of profit or loss and other comprehensive income	34,225,110	39,407,471

(b) Geographical information

The manufacturing facilities and sales offices of the Group are based in Malaysia.

In presenting information on the basis of geographical areas, segment revenue is based on the geographical location of its customers.

Segment assets are based on the geographical location of the assets of the Group.

	2017 RM	Group 2016 RM
Revenue from external customers in:		
Malaysia	91,699,920	99,748,030
Taiwan	51,877,193	150,036,399
Indonesia	28,639,815	25,973,733
Vietnam	20,935,699	14,889,937
China	10,138,899	3,135,098
Yemen	7,375,549	12,591,526
Iraq	7,330,604	7,320,435
Korea	7,088,588	15,682,107
Myanmar	6,480,955	7,873,623
Italy	5,979,736	6,966,742
India	4,199,343	5,971,965
Singapore	3,901,002	55,839,173
Africa	2,672,865	3,250,790
Others	37,395,550	28,106,608
	285,715,718	437,386,166

	2017 RM	Group 2016 RM
Non-current assets		
Malaysia	336,735,297	409,621,480

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017

26. OPERATING SEGMENTS (Cont'd)

(c) Major customers

The following are major customers with revenue equal or more than ten percent (10%) of Group revenue:

	2017 RM	Group 2016 RM
Solar Segment		
Customer A	49,317,648	78,046,893
Customer B	0	46,380,171
Customer C	0	70,887,879

27. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) Capital management

The primary objective of the capital management of the Group is to ensure that entities of the Group would be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objective, policies or processes during the financial years ended 31 December 2017 and 31 December 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group has a target gearing ratio of ten percent (10%) to sixty percent (60%) determined as the proportion of net debt to equity plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and bank balances. Capital represents equity attributable to the owners of the parent.

	Note	2017 RM	Group 2016 RM
Borrowings	11	0	58,348,398
Trade and other payables	14	27,711,822	116,479,023
Provision	15	4,327,777	0
Total liabilities		32,039,599	174,827,421
Less: Cash and bank balances	9	(10,301,040)	(4,810,322)
Net debt		21,738,559	170,017,099
Total capital		256,293,296	236,486,479
Net debt		21,738,559	170,017,099
Capital plus net debt		278,031,855	406,503,578
Gearing ratio		8%	42%

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the twenty-five percent (25%) of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement during the financial year ended 31 December 2017.

The Group is not subject to any externally imposed capital requirement.

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017



27. CAPITAL AND FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Financial risk management

The overall financial risk management objective of the Group is to ensure that the Group creates value for its shareholders whilst minimising potential adverse effects on its financial performance and positions. The Group is mainly exposed to credit risk, liquidity and cash flow risk, interest rate risk and foreign currency risk. Information on the management of the related exposures are detailed below:

(i) Credit risk

Cash deposits and trade receivables may give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are major international institutions and reputable organisations that the Group has dealt with for numerous years. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with its customers are mainly on credit, except for new customers, where deposits in advance are normally required. The credit period is generally for a period of one (1) month, extending up to four (4) months for major customers. Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables via a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

Exposure to credit risk

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

The credit risk concentration profile has been disclosed in Note 8 to the financial statements.

(ii) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group. In addition, the Group strives to maintain available banking facilities at a reasonable level to meet its business needs.

The analysis of financial instruments by remaining contractual maturities has been disclosed in Notes 11 and 14 to the financial statements.

(iii) Interest rate risk

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

The income and operating cash flows of the Group are substantially independent of changes in market interest rates. Interest rate exposure arises mainly from the borrowings and deposits with a licensed bank of the Group and amount owing by/to subsidiaries of the Company and is managed through the use of fixed and floating rates instruments. The Group monitors the interest rates on borrowings closely to ensure that the borrowings are maintained at favourable rates. The deposits of the Group are placed at fixed rates and management endeavours to obtain the best rate available in the market. The Group does not use derivative financial instruments to hedge this risk.

The interest rate profile and sensitivity analysis of interest rate risk have been disclosed in Notes 11 and 14 to the financial statements respectively.

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017

27. CAPITAL AND FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Financial risk management (Cont'd)

(iv) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

Transactional currency exposures arise from sales to Asian, South African and Middle East customers. These sales are priced in Ringgit Malaysia but invoiced in USD currency. The Group also makes purchases of raw materials from China, Taiwan and Singapore. The Group has no hedging policy and does not make use of forward-currency contracts.

The sensitivity analysis for foreign currency risk has been disclosed in Notes 8, 9, 11 and 14 to the financial statements respectively.

28. MATERIAL LITIGATION

Tenaga Nasional Berhad ("TNB") had in previous years instituted legal proceedings against Wangsaga Industries Sdn Bhd ("WISB"), a wholly-owned subsidiary of Tek Seng Holdings Berhad ("The Group") claiming for the electricity consumption in arrears for the period from 23 April 2006 to 13 April 2012.

The solicitors of WISB were of the opinion that the claim against WISB were unilaterally contrived and the claim intimates were frivolous and vexatious, that should be contested and defended up to the end of reporting period. Based on this legal opinion, the management of WISB were of the view that the possibility of an outflow of economic benefits were remote.

On 22 March 2018, WISB received a decision of the High Court in favour of TNB of a claim against WISB for the electricity consumption in arrears amounting to RM4,327,777. As of the date of this report, WISB has yet to receive the sealed copy of the judgement.

WISB had filed the application on 11 April 2018 to appeal against the decision of the High Court. The solicitor of WISB is of the opinion that the appeal is principally predicated on the dispute by WISB that the amount adjudged to be paid to TNB is inappropriate.

Notwithstanding the outcome of the appeal, the management of WISB recognised a provision for the sum of RM4,327,777 based on the recent decision of the High Court. This is in compliance with Malaysian Financial Reporting Standards ("MFRS") 137 *Provisions, Contingent Liabilities and Contingent Assets* and International Accounting Standards ("IAS") 10 *Events After the Reporting Period*.

The details of the provision for material litigation are disclosed in the Note 15 to the financial statements.

29. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

(a) New MFRSs adopted during the financial year

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

Title	Effective Date
Amendments to MFRS 12 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2017
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and the Company.

Notes to the Financial Statements (Cont'd)

For the Financial Year Ended 31 December 2017



29. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (Cont'd)

- (b) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been early adopted by the Company:

Title	Effective Date
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS 9 as issued by IASB in July 2014)</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 and 48
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015-2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015-2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015-2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015-2017 Cycle</i>	1 January 2019
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

Based on the assessment, the Group does not expect the application of MFRS 9 and MFRS 15 to have any significant impact on its consolidated financial statements.

The Group is in the process of assessing the impact of implementing these Standards and Amendments other than MFRS 9 and MFRS 15, since the effects would only be observable for the future financial years.

List of Properties

Location/Address	Date of Acquisition	Description and Existing Use	Approximate Land/ Built-up Area	Age of Building/ Tenure	Carrying Amount as at 31-Dec-17
1. Plot 159, Jalan Perindustrian Bukit Minyak 7, Taman Perindustrian Bukit Minyak, 14000 Bukit Mertajam. (H.S. (D) 46613, Lot 395, Mukim 13, Seberang Perai Tengah, Penang)	03 May 2000	1-storey factory (attached with 4-storey production area) cum 2-storey office block/ Manufacturing and office use Owner occupied	Land area = 27,351.55 sq. Metre Built-up area = 19,822 sq. Metre	16 years old/ Leasehold 60 years expiring on 11 Mar 2061	Land = RM2,534,213 Building = RM9,962,713
2. Plot 160, Jalan Perindustrian Bukit Minyak 7, Taman Perindustrian Bukit Minyak, 14000 Bukit Mertajam. (H.S. (D) 48999, PT 429, Mukim 13, Seberang Perai Tengah, Penang)	12 Dec 2002	1-storey factory (attached with 4-storey production area)/ Manufacturing and Warehouse Owner occupied	Land area = 17,494.55 sq. Metre Built-up area = 10,425 sq. Metre	15 years old/ Leasehold 60 years expiring on 25 Aug 2063	Land = RM1,748,570 Building = RM9,153,139
3. Plot 162(b), Jalan Perindustrian Bukit Minyak 7, Taman Perindustrian Bukit Minyak, 14000 Bukit Mertajam. (H.S.(D) 53381, PT 793, Mukim 13, Seberang Perai Tengah, Penang)	1 Jun 2005	1-storey factory/ Warehouse Owner occupied	Land area = 15,784.28 sq. Metre Built-up area = 5,280 sq. Metre	12 year old/ Leasehold 60 years expiring on 25 Aug 2063	Land = RM1,633,347 Building = RM7,411,507
4. 43, Jalan Mas Jaya 2, Kawasan Perindustrian Mas Jaya, Selangor Darul Ehsan. (H.S. (D) 69154, PT 27606, Mukim Cheras, Daerah Langat, Selangor)	1 Jun 1995	1 1/2-Storey warehouse/ Warehouse Owner occupied	Land area = 328 sq. Metre Built-up area = 273 sq. Metre	22 years old/ Freehold	Land = RM258,352 Building = RM107,722
5. 77-14-5, Menara Belfield Condominium, Jalan Talalla, Off Jalan Maharajalela, 50460 Kuala Lumpur (Parcel No. B1-13A, erected on part of land under Certificate of Title No. 7564, Lot 393, Section 69, Kuala Lumpur)	28 Jan 1997	Apartment/Hostel Owner occupied	Built-up area = 98.47 sq. Metre	20 years old/ Freehold	Building = RM162,677
6. Plot 320, Jalan Perindustrian Bukit Minyak 8, Penang Science Park, Bukit Minyak, Mukim 13, Seberang Perai Tengah, 14100 Pulau Pinang.	21 Feb 2011	4-Storey Factory/ Warehouse Owner occupied (Phase I)	Land area = 32,586.91 sq. Metre Built-up area = 13,640.44 sq. Metre	7 years old/ Leasehold 60 years expiring on 30 Jan 2072	Land = RM5,901,569 Building = RM56,601,644
		3-Storey Factory/ Warehouse Owner occupied (Phase II)	Built-up area = 23,696.49 sq. Metre		Building = RM86,696,415

Statistics on Shareholdings

as at 30 March 2018



Total number of issued shares : 348,130,962 ordinary shares
Voting Rights : 1 Vote per ordinary share

Analysis of Shareholdings

No. of Holders	Size of Holdings	Total Holdings	% of Issued Shares
128	less than 100 shares	5,701	#
376	100 to 1,000 shares	233,531	0.07
2,749	1,001 to 10,000 shares	16,081,202	4.62
2,041	10,001 to 100,000 shares	69,519,362	19.97
251	100,001 to less than 5% of issued shares	116,754,506	33.54
2	5% and above of issued shares	145,536,660	41.80
5,547		348,130,962	100.00

Negligible

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS AS AT 30 MARCH 2018

(without aggregating the securities from different securities accounts belonging to the same Depositor)

Name	No. of Shares	% of Total Issued Shares
1 LOH KOK CHENG	73,857,030	21.22
2 LOH KOK BENG	71,679,630	20.59
3 SOON SEOK CHOO	12,824,740	3.68
4 CHANG, JUNG-CHEN	6,560,641	1.88
5 NG KIM KEONG	5,225,800	1.50
6 PUAA YOCK BING @ PHUAH HIAN KEE	3,941,000	1.13
7 CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR MAK NGIA NGIA @ MAK YOKE LUM (MM0749)	3,890,800	1.12
8 TEOH THEAN HAI	3,388,425	0.97
9 TEE AH SWEE	3,342,200	0.96
10 TAN LEE PANG S/O HUM BENG	3,175,000	0.91
11 LING, KUN-TZU	2,727,500	0.78
12 MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CEKD VENTURE SDN BHD	1,923,400	0.55
13 YAYASAN GURU TUN HUSSEIN ONN	1,877,000	0.54
14 LOH JOO ENG	1,845,000	0.53
15 PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG SHU KONG (E-KKU)	1,831,000	0.53
16 TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAK NGIA NGIA @ MAK YOKE LUM	1,439,700	0.41
17 LOH LOO NGOH	1,406,450	0.40
18 KENANGA NOMINEES (TEMPATAN) SDN BHD LIM TIAN HUAT	1,328,000	0.38
19 HO POAY CHIEW	1,250,000	0.36
20 LOH LOO GUAT	1,250,000	0.36
21 PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHIA HONG @ GAN CHIA HONG (E-TMR)	1,200,000	0.34
22 TAN TECK HENG	1,152,100	0.33

Statistics on Shareholdings (Cont'd)

as at 30 March 2018

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS AS AT 30 MARCH 2018 (Cont'd)

(without aggregating the securities from different securities accounts belonging to the same Depositor)

Name	No. of Shares	% of Total Issued Shares
23 PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NANCY TAN (E-TWU)	802,400	0.23
24 NG SEH HAN @ NG TEK LAI	791,200	0.23
25 TAN KENG LEANG	772,500	0.22
26 TEE SUAT HWEE	750,000	0.22
27 LEE CHIN HWA	666,100	0.19
28 SEE EAN SENG	650,000	0.19
29 JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OOI SIEW LOOI (STA 2)	635,000	0.18
30 MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BONG KHIONG SIN	606,400	0.17
TOTAL	212,789,016	61.10

Substantial Shareholdings

Substantial Shareholders	Direct Interest	No. of ordinary shares held		
		%	Deemed Interest	%
Loh Kok Beng	71,679,630	20.59	-	-
Loh Kok Cheng	73,857,030	21.22	-	-

Directors' Shareholdings

Name of Directors	Direct Interest	No. of ordinary shares held			
		%	Deemed Interest	%	
Loh Kok Beng	71,679,630	20.59	-	-	
Loh Kok Cheng	73,857,030	21.22	-	-	
Loh Joo Eng	1,845,000	0.53	115,825	(N1) 0.03	
Dr. Kamarudin Bin Ngah	4,375	#	-	-	
Tuan Haji Mohamed Haniffah Bin S.M. Mydin	40,000	0.01	-	-	
Leow Chan Khiang	-	-	-	-	
Loh Eng Chun	-	-	-	-	

Note:

(N1) Deemed interested by virtue of Section 59(11)(c) of the Companies Act, 2016 held through spouse, daughter and son.

Negligible

Statistics on Warrantholdings

as at 30 March 2018



Number of outstanding warrants	: 42,798,138 Units
Exercise period	: The exercise period is any time within a period of 5 years from the date of issue up to the expiry date of 09 February 2020
Exercise price	: RM0.25 each
Warrant Entitlement	: Each warrant entitles the registered holder during the Exercise period to subscribe for one new ordinary share
Number of warrant holders as at 30 March 2018	: 1,673

Distribution of warrant holders

No. of Holders	Size of Holdings	Total Holdings	% of Total Warrantholdings
245	less than 100 warrants	9,627	0.02
257	100 to 1,000 warrants	159,021	0.37
708	1,001 to 10,000 warrants	3,400,838	7.95
410	10,001 to 100,000 warrants	13,872,525	32.41
51	100,001 to less than 5% of issued warrants	15,289,250	35.73
2	5% and above of issued warrants	10,066,877	23.52
1,673		42,798,138	100.00

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS AS AT 30 MARCH 2018

(without aggregating the securities from different securities accounts belonging to the same Depositor)

Name	No. of Warrants	% of Total Warrantholdings
1 LOH KOK CHENG	6,486,700	15.16
2 TEOH THEAN HAI	3,580,177	8.37
3 PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KO MOK CHUAN (E-TMR/TMJ)	1,417,800	3.31
4 CHANG, JUNG-CHEN	1,082,300	2.53
5 CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR MAK NGIA NGIA @ MAK YOKE LUM (MM0749)	1,057,300	2.47
6 TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAK NGIA NGIA @ MAK YOKE LU	1,055,800	2.47
7 PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHIA HONG @ GAN CHIA HONG (E-TMR)	600,000	1.40
8 MAK NGIA NGIA @ MAK YOKE LUM	591,900	1.38
9 ONG BENG KEE	480,000	1.12
10 MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CEKD VENTURE SDN BHD	405,500	0.95
11 THANGAVELOO A/L PARASURAMAN	400,000	0.93
12 TEH KEE HENG	369,400	0.86
13 HAN SIEW YIN	330,000	0.77
14 CHOK KWONG MING	329,700	0.77
15 RHB NOMINEES (ASING) SDN BHD EXEMPT AN FOR RHB SECURITIES SINGAPORE PTE. LTD. (A/C CLIENTS)	303,000	0.71
16 ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JANICE LOW SU-LYN	300,000	0.70
17 GOH HOCK SOON	278,200	0.65
18 CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM BENG KEONG (SEGAMAT-CL)	268,900	0.63

Statistics on Warrantholdings (Cont'd)

as at 30 March 2018

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS AS AT 30 MARCH 2018 (Cont'd)

(without aggregating the securities from different securities accounts belonging to the same Depositor)

Name	No. of Warrants	% of Total Warrantholdings
19 LIEW TIEN CHOY	267,500	0.63
20 PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIN SOO KHIM (E-TWU/LDU)	250,000	0.58
21 SELVARAJAH A/L NACHIAPPAN	246,500	0.58
22 CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR LEE CHAN HOOI (M73091)	245,000	0.57
23 HLIB NOMINEES (TEMPATAN) SDN BHD HONG LEONG BANK BHD FOR OOI YONG PING	242,500	0.57
24 CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR ERWIN SELVARAJAH A/L PETER SELVARAJAH (M53001)	226,700	0.53
25 MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAM KIAN KWANG	223,000	0.52
26 PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KEE BENG HWA (E-TWU)	218,000	0.51
27 LEE CHEE KIAN	214,000	0.50
28 PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KELLY KO KAR YEE (E-TMR)	212,900	0.50
29 LIM THOW KIN	200,000	0.47
30 LEE KEAT YEE	200,000	0.47
TOTAL	22,082,777	51.61

Substantial Warrantholdings

Substantial Warrantholders	Direct Interest	No. of warrant held		
		%	Deemed Interest	%
Loh Kok Cheng	6,486,700	15.16	-	-
Teoh Thean Hai	3,580,177	8.37	-	-

Directors' Warrantholdings

Name of Directors	Direct Interest	No. of warrant held		
		%	Deemed Interest	%
Loh Kok Beng	-	-	-	-
Loh Kok Cheng	6,486,700	15.16	-	-
Loh Joo Eng	-	-	50,037 (N1)	0.12
Dr. Kamarudin Bin Ngah	2,187	0.01	-	-
Tuan Haji Mohamed Haniffah Bin S.M. Mydin	-	-	-	-
Leow Chan Kiang	-	-	-	-
Loh Eng Chun	-	-	-	-

Note:

(N1) Deemed interested by virtue of Section 59(1)(c) of the Companies Act, 2016 held through spouse and son.

Additional Compliance Information



Audit and Non-Audit Fees

During the financial year, audit fees and non-audit fees paid or payable by the Company and its subsidiaries to the Company's External Auditors and its affiliates company are as follows:

	Audit Fees		Non-Audit Fees	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
i) BDO	104	8	14	14
ii) BDO Tax Services Sdn Bhd	0	0	17	2
	104	8	31	16

Nature of services rendered for non-audit fees paid are as follows:

- i) Review on Supplementary information on Realised and Unrealised Profits or Losses;
- ii) Review on The Statement on Risk Management and Internal Control;
- iii) Taxation Services; and
- iv) Review of Quarterly Report

Utilisation of Proceeds

For the financial year ended 31 December 2017, the total proceeds raised by the Company from the exercise of the Warrants was RM125 only.

Recurrent Related Party Transactions

The breakdown of the aggregate value of the recurrent related party transactions entered into by TS Solartech Sdn Bhd ("TS Solartech") pursuant to the shareholders' mandate approved at the last Annual General Meeting are as follows:

Transacting Party (N1)	Related Party (N2)	Nature of Transactions	Actual Value Transacted from 01.01.2017 to 31.12.2017 RM'000
TS Solartech	SEC	TS Solartech supplies solar cells to SEC	49,318
TS Solartech	SEC	TS Solartech purchases silicon wafers from SEC	4,185
TS Solartech	SEC	TS Solartech purchases conductor paste from SEC	1,709
			55,212

Notes:

(N1) TS Solartech Sdn Bhd, a 50.69% owned subsidiary of the Company.

(N2) Solartech Energy Corp. ("SEC") is a company incorporated in Republic of China, Taiwan and is a major shareholder of TS Solartech with direct equity interest of 42.12%.

Material Contracts

There are no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Group within two (2) years immediately preceding the 31 December 2017.

Notice of Sixteenth Annual General Meeting

NOTICE IS HEREBY GIVEN that the 16th Annual General Meeting ("AGM") of Tek Seng Holdings Berhad ("the Company") will be held at Laurel II Ballroom, Level 1, Evergreen Laurel Hotel of 53, Persiaran Gurney, 10250 Penang on Friday, 08 June 2018 at 9.30 a.m. for the following purposes:-

AGENDA

As Ordinary Business:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of Directors and Auditors thereon. Please refer to Note 7
2. To re-elect the following Directors who retire by rotation in accordance with Article 86 of the Company's Constitution and who, being eligible, offer themselves for re-election:
 - i) Madam Loh Joo Eng **Resolution 1**
 - ii) Dr. Kamarudin Bin Ngah **Resolution 2**
3. To re-elect Mr. Leow Chan Kiang, the Director who retires in accordance with Article 93 of the Company's Constitution and who, being eligible, offers himself for re-election. **Resolution 3**
4. To approve the payment of Directors' Fees amounting to RM194,250.00 for the financial year ended 31 December 2017. **Resolution 4**
5. To approve the payment of Directors' Benefits up to an amount not exceeding RM50,000.00 from 09 June 2018 until the conclusion of the next AGM of the Company. **Resolution 5**
Please refer to Note 8
6. To approve the payment of a Single Tier Final Dividend of 1 sen per ordinary share for the financial year ended 31 December 2017. **Resolution 6**
7. To re-appoint Messrs. BDO as auditors of the Company to hold office until the conclusion of the next AGM of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**

Special Business

To consider and if thought fit, to pass with or without modifications, the following resolutions as ordinary resolutions:

8. **AUTHORITY TO ISSUE SHARES** **Resolution 8**

"THAT, subject to the approvals of the regulatory authorities, the Board of Directors of the Company be hereby authorised pursuant to Sections 75 and 76 of the Companies Act 2016, to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the total number of issued shares of the Company.

AND THAT, any Executive Director and/or Secretary of the Company be hereby authorised to obtain the approval from Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing and quotation of the additional shares to be issued and to do all such acts and things necessary to give full effect to such transactions as authorised by this resolution."

AND THAT, such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next AGM of the Company."
9. **PROPOSED CONTINUATION OF TUAN HAJI MOHAMED HANIFFAH BIN S.M. MYDIN IN OFFICE AS INDEPENDENT DIRECTOR** **Resolution 9**

"THAT, authority be and is hereby given to Tuan Haji Mohamed Haniffah Bin S.M. Mydin who had served as an Independent Director of the Company for a cumulative term of more than 9 years to continue to act as an Independent Director of the Company and to hold office until the next AGM of the Company."

Notice of Sixteenth Annual General Meeting (Cont'd)



10. PROPOSED CONTINUATION OF DR. KAMARUDIN BIN NGAH IN OFFICE AS INDEPENDENT DIRECTOR

Resolution 10

"THAT, authority be and is hereby given to Dr. Kamarudin Bin Ngah who had served as an Independent Director of the Company for a cumulative term of more than 12 years to continue to act as an Independent Director of the Company and to hold office until the next AGM of the Company."

11. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

Resolution 11

"THAT, subject always to the provisions of the Companies Act, 2016 ("Act"), the Company's Constitution, the Main Market Listing Requirements of Bursa Securities and/or any other regulatory authorities, the authority be and is hereby given for TS Solartech Sdn Bhd, a 50.69% subsidiary of the Company to enter into recurrent related party transactions of a revenue or trading nature ("Proposed Renewal of Shareholders' Mandate") as set out in Section 2.4 of the Circular to Shareholders in relation to the Proposed Renewal of Shareholders' Mandate provided that such transactions are in the ordinary course of business which are necessary for the day-to-day operations on terms not more favourable to Solartech Energy Corp., the related party than those generally available to the public and are not to the detriment of the minority shareholders and that such authority shall continue to be in force until:

- (a) the conclusion of the next AGM of the Company following the AGM at which the Proposed Renewal of Shareholders' Mandate is passed, at which time it will lapse, unless by an ordinary resolution passed at the AGM, the authority is renewed;
- (b) the expiration of the period within which the next AGM of the Company after the date it is required to be held pursuant to Section 340(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by an ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier;

And that, the Executive Directors of the Company be and are hereby authorised to complete and do all such acts including executing any documents as may be required to give full effect to such transactions authorised by this resolution."

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

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend the 16th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 28 May 2018. Only a depositor whose name appears on the Record of Depositors as at 28 May 2018 shall be entitled to attend the AGM or appoint proxies to attend and/or vote on his/her behalf.

By Order of the Board,

LEE PENG LOON (MACS 01258)
P'NG CHIEW KEEM (MAICSA 7026443)
Company Secretaries

Penang
Date: 30 April 2018

Notice of Sixteenth Annual General Meeting (Cont'd)

NOTES ON APPOINTMENT OF PROXY

1. A proxy may but need not be a member of the Company.
2. For a proxy to be valid, the proxy form duly completed must be deposited at the registered office of the Company at 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than 24 hours before the time appointed for the taking of the poll or at any adjournment thereof.
3. A member shall be entitled to appoint one (1) or more proxies to attend and vote instead of him at the same meeting and where a member appoints two (2) or more proxies to vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
4. Where a member is an exempt authorised nominee which holds ordinary shares of the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies it may appoint in respect of each omnibus account it holds.
5. In the case of a corporate member, the Proxy Form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.
6. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice will be put to vote by poll.

NOTES ON ORDINARY BUSINESS

7. The Agenda 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require the shareholders' approval for the Audited Financial Statements. Hence, the Agenda 1 is not put forward for voting.
8. The Resolution 5, if passed, will enable the Company to pay meeting allowance and other benefits to directors of the Company. The total amount of directors' benefits payable is estimated around RM50,000.00 comprising of medical, travelling, insurances and meeting allowance.

NOTES ON SPECIAL BUSINESS

9. The Resolution 8, if passed, will enable the Directors to allot and issue shares in the Company up to an amount not exceeding 10% of the total number of issued shares of the Company for the time being for such purposes as the Directors consider will be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in a general meeting will expire at the conclusion of the next AGM.

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

As at the date of this notice, the Directors have not issued any shares pursuant to the general mandate granted at the last AGM of the Company.

10. The Resolution 9, if passed, will enable the Independent Director who had served more than 9 years to be retained and continued to act as Independent Director of the Company to fulfil the requirements of paragraph 15.02 of the Main Market Listing Requirements of Bursa Securities and to be in line with the practice 4.2 of the Malaysian Code of Corporate Governance. The details of justifications are set out in the Company's Annual Report for the financial year ended 31 December 2017.
11. The Resolution 10 is to seek shareholders' approval through a two tier voting process and, if passed, will enable the Independent Director who had served more than 12 years to be retained and continued to act as Independent Director of the Company to fulfil the requirements of paragraph 15.02 of the Main Market Listing Requirements of Bursa Securities and to be in line with the practice 4.2 of the Malaysian Code of Corporate Governance. The details of justifications are set out in the Company's Annual Report for the financial year ended 31 December 2017.
12. The Resolution 11, if passed, will enable TS Solartech Sdn. Bhd., a 50.69% owned subsidiary of the Company to enter into recurrent transactions involving the interests of a related party, Solartech Energy Corp. which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of minority shareholders of the Company. Further information of the Proposed Renewal of Shareholders' Mandate is set out in the Circular to Shareholders dated 30 April 2018 which has been dispatched together with the Company's Annual Report for the financial year ended 31 December 2017.

ANNUAL REPORT

13. The Annual Report for the financial year ended 31 December 2017 is in CD-ROM format. Printed copy of the Annual Report shall be provided to the shareholder upon request within 4 market days from the date of receipt of the verbal or written request. A copy of the Annual Report can also be downloaded at www.tekseng.com.my.

Shareholders who wish to receive the printed Annual Report and who require assistance in viewing the CD-ROM, kindly contact Plantation Agencies Sdn. Berhad at telephone no. 04-2625333 or email your request to sharereg@plantationagencies.com.my.

Statement Accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.27(2) of Main Market Listing Requirements of Bursa Securities)



- 1) No individuals are standing for election as directors at the forthcoming 16th Annual General Meeting of the Company.
- 2) The profiles of the directors who are standing for re-election as in Agenda 2 and 3 of the Notice of the 16th Annual General Meeting of the Company are set out in the Directors' Profile section of this Annual Report.
- 3) The details of the directors' interests in the securities of the Company as at 30 March 2018 are set out in the Statistics of Shareholdings section of this Annual Report.
- 4) The Resolution 8 tabled under Special Business as per the Notice of 16th Annual General Meeting of the Company dated 30 April 2018 is a renewal of general mandate granted by shareholders of the Company at the last Annual General Meeting held on 26 May 2017.

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

As at the date of notice of meeting, the Directors have not issued any shares pursuant to the general mandate granted at the last Annual General Meeting of the Company.

Notice of Dividend Entitlement

NOTICE IS ALSO HEREBY GIVEN that a Single Tier Final Dividend of 1 sen per ordinary share for the financial year ended 31 December 2017, if approved, will be paid on 20 July 2018 to shareholders registered in the Record of Depositors of the Company on 29 June 2018.

A depositor shall qualify for entitlement only in respect of:

- a. Shares transferred into the depositor's securities account before 4.00 p.m. on 29 June 2018 in respect of ordinary transfers; and
- b. Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board,

LEE PENG LOON (MACS 01258)
P'NG CHIEW KEEM (MAICSA 7026443)
Company Secretaries

Penang
Date: 30 April 2018



Proxy Form

TEK SENG HOLDINGS BERHAD (579572-M)
(Incorporated in Malaysia)



CDS Account No. _____

*I/We _____

[Full Name in Block Letters (I/C No./Passport No./Company No.)]

of _____
(Address)

being a * member/members of the abovenamed Company, hereby appoint _____

[Full Name in Block Letters (I/C No./Passport No./Company No.)]

of _____
(Address)

or failing whom, the Chairman of the meeting as *my/our proxy to vote for *me/us on *my/our behalf at the 16th Annual General Meeting of the Company, to be held at Laurel II Ballroom, Level 1, Evergreen Laurel Hotel of 53, Persiaran Gurney, 10250 Penang on Friday, 08 June 2018 at 9.30 a.m. and at any adjournment thereof.

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1	To re-elect Madam Loh Joo Eng as a director.		
2	To re-elect Dr. Kamarudin Bin Ngah as a director.		
3	To re-elect Mr. Leow Chan Khiang as a director.		
4	To approve the payment of directors' fees.		
5	To approve the payment of directors' benefits.		
6	To approve the payment of a single tier final dividend.		
7	To re-appoint Messrs. BDO as auditors of the Company.		
8	To authorise the directors to allot and issue new shares in the Company.		
9	To re-appoint Tuan Haji Mohamed Haniffah as Independent Director.		
10	To re-appoint Dr. Kamarudin Bin Ngah as Independent Director.		
11	To obtain the renewal of shareholders' mandate for recurrent related party transactions.		

Please indicate with an "x" in the appropriate spaces provided above on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy may vote as he thinks fit.

Signed this _____ day of _____ 2018.

No. of shares held

For appointment of two(2) proxies, percentage of shareholdings to be represented by the proxies:		
	No. of shares	%
Proxy 1		
Proxy 2		
		100

Signature(s) of Member(s) _____

Notes:

1. A proxy may but need not be a member of the Company.
2. For a proxy to be valid, this form must be duly completed and deposited at the Registered Office of the Company, 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than twenty-four (24) hours before the time appointed for the taking of the poll or at any adjournment thereof. Last date and time for lodging of Proxy Form will be on Thursday, 07 June 2018 at 9.30 am (being the approximate time appointed for the taking of the poll at the 16th Annual General Meeting)
3. A member shall be entitled to appoint one (1) or more proxies to attend and vote instead of him at the same meeting and where a member appoints two (2) or more proxies to vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
4. Where a member is an exempt authorised nominee which holds ordinary shares of the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies it may appoint in respect of each omnibus account it holds.
5. In the case of a corporate member, this form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.
6. In respect of deposited securities, only a depositor whose name appear on the Record of Depositors on 28 May 2018 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxies to attend and/or vote on his/her behalf.
7. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the notice of 16th Annual General Meeting will be put to vote by poll.

* Strike out whichever is not desired.

Please fold here

**Affix
Stamp
Here**

The Company Secretary
TEK SENG HOLDINGS BERHAD (579572-M)
51-21-A, Menara BHL Bank,
Jalan Sultan Ahmad Shah,
10050 Penang

Please fold here



www.tekseng.com.my

TEK SENG HOLDINGS BERHAD (579572-M)

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S.P.T., Pulau Pinang, Malaysia.

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