

13. ACCOUNTANTS' REPORT



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5 October 2015

The Board of Directors
Kim Teck Cheong Consolidated Berhad
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STRICTLY CONFIDENTIAL

Dear Sirs,

KIM TECK CHEONG CONSOLIDATED BERHAD ACCOUNTANTS' REPORT

1. INTRODUCTION

This report has been prepared by Messrs. Baker Tilly Monteiro Heng, an approved company auditor, for inclusion in the Prospectus of Kim Teck Cheong Consolidated Berhad ("KTC Consolidated" or "the Company") in connection with the listing and quotation for the entire enlarged issued and paid-up share capital of KTC Consolidated of RM51,027,700 comprising 510,277,000 ordinary shares of RM0.10 each in KTC Consolidated ("KTC Consolidated Share(s)" or "Share(s)") on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing"), and should not be relied upon for any other purposes.

2. DETAILS OF THE FLOTATION EXERCISE

In conjunction with and as an integral part of the Listing, KTC Consolidated undertook the following exercises:-

2.1 Acquisitions

KTC Consolidated had entered into a conditional share sale agreement dated 3 December 2014 with Kim Teck Cheong Holdings Sdn. Bhd. ("KTC Holdings") to acquire the following companies via the issuance of new KTC Consolidated Shares and redeemable convertible preference shares of RM1.00 each ("RCPS"):-

Company	Effective equity interests acquired %	Number of ordinary shares of RM1.00 each to be acquired	Purchase consideration RM	To be satisfied via	
				Shares issued @ RM0.10 per Share	RCPS issued @ RM1.00 per RCPS
Kim Teck Cheong Sdn Bhd ("KTC Sdn Bhd")	100	600,000	36,768,480	222,605,350	14,507,945

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2. DETAILS OF THE FLOTATION EXERCISE (Continued)

2.1 Acquisitions (Continued)

Company	Effective equity interests acquired %	Number of ordinary shares of RM1.00 each to be acquired	Purchase consideration RM	To be satisfied via	
				Shares issued @ RM0.10 per Share	RCPS issued @ RM1.00 per RCPS
AMDA Marketing (Sabah) Sdn Bhd ("AMDA Marketing")	100	1,000,000	4,041,409	24,467,680	1,594,641
Kim Teck Cheong (Tawau) Sdn Bhd ("KTC Tawau")	100	500,000	10,984,013	66,499,900	4,334,023
Kim Teck Cheong (Sarawak) Sdn Bhd ("KTC Sarawak")	80	40,000	3,038,700	18,397,030	1,198,997
Kim Teck Cheong Brands Sdn Bhd ("KTC Brands")	100	2	139,829	846,560	55,173
Kim Teck Cheong Distribution Sdn Bhd ("KTC Distribution")	100	1,000,000	5,797,687	35,100,610	2,287,626
Creamos (Malaysia) Sdn Bhd ("Creamos Malaysia")	100	500,000	59,438	359,850	23,453
Total			60,829,556	368,276,980	24,001,858

(Collectively hereinafter referred to as "Acquisitions")

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2. DETAILS OF THE FLOTATION EXERCISE (Continued)

2.1 Acquisitions (Continued)

The Acquisitions was completed on 1 July 2015. Following the completion of the Acquisitions, the issued and paid-up share capital of KTC Consolidated increased from RM2 comprising 20 Shares to RM36,827,700 comprising 368,277,000 Shares and 24,001,858 RCPS.

2.2 Public Issue

The public issue of 142,000,000 new Shares, representing approximately 27.83% of the enlarged issued and paid-up share capital of KTC Consolidated, issued at an issue price of RM0.15 per Share, is payable in full upon application and will be offered in the following manner:

- (i) 34,000,000 new Shares, representing approximately 6.66% of the enlarged issued and paid-up share capital of KTC Consolidated, will be made available for application by public investors through a balloting process, of which at least 50% shall be set aside for Bumiputera Public investors, including individuals, companies, societies, co-operatives and institutions.
- (ii) 16,255,000 new Shares, representing approximately 3.19% of the enlarged issued and paid-up share capital of KTC Consolidated, will be made available for application by eligible employees of the group and persons who have contributed to the success of the KTC Consolidated and its subsidiary companies ("KTC Group" or "the Group").
- (ii) 91,745,000 new KTC Consolidated Shares, representing 17.98% of the enlarged issued and paid-up share capital of KTC Consolidated, will be reserved for placement to selected investors.

(Collectively hereinafter referred to as "Public Issue").

2.3 Listing

The admission and the listing of and quotation for its entire enlarged issued and paid-up share capital of RM51,027,700 comprising 510,277,000 Shares on the ACE Market of Bursa Securities.

3. GENERAL INFORMATION

3.1 Background Information

- 3.1.1 KTC Consolidated was incorporated in Malaysia under the Companies Act, 1965 as a private limited liability company on 17 October 2014 under the name of Kim Teck Cheong Consolidated Sdn Bhd. Subsequently, it converted into a public limited liability company and assumed its present name on 31 October 2014.
- 3.1.2 KTC Consolidated is principally engaged in investment holding. Further details on its subsidiary companies are set out in Note 3.4 below.

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3. GENERAL INFORMATION (Continued)

3.2 Share Capital of KTC Consolidated

As at the date of incorporation, the authorised share capital of KTC Consolidated was RM400,000 comprising 4,000,000 Shares and its issued and fully paid-up share capital was RM2 comprising 20 Shares.

KTC Consolidated's authorised share capital subsequently on 1 July 2015 increased from RM400,000 comprising 4,000,000 Shares to RM75,000,000 comprising 750,000,000 Shares and 25,000,000 RCPS. KTC Consolidated's issued and fully paid-up share capital subsequently on the even date increased from RM2 comprising 20 Shares to RM36,827,700 comprising 368,277,000 Shares and RM24,001,858 comprising 24,001,858 RCPS.

Details of changes to the issued and fully paid-up share capital and RCPS of KTC Consolidated since its date of incorporation are as follows:-

Date of Allotment	Number of Ordinary Shares Allotted	Par value RM	Consideration	Cumulative Issued and Paid-up Share Capital RM
17.10.2014	20	0.10	Cash	2
1.7.2015	368,276,980	0.10	Other than cash (Acquisitions (Note 2.1))	36,827,700

Date of Allotment	Number of Ordinary Shares Allotted	Par value RM	Consideration	Cumulative Issued and Paid-up RCPS RM
1.7.2015	24,001,858	1.00	Other than cash (Acquisitions (Note 2.1))	24,001,858

Upon the completion of the Public Issue as described in Note 2.2, the issued and fully paid-up share capital will increase to RM51,027,700 comprising 510,277,000 Shares and RM24,001,858 comprising 24,001,858 RCPS.

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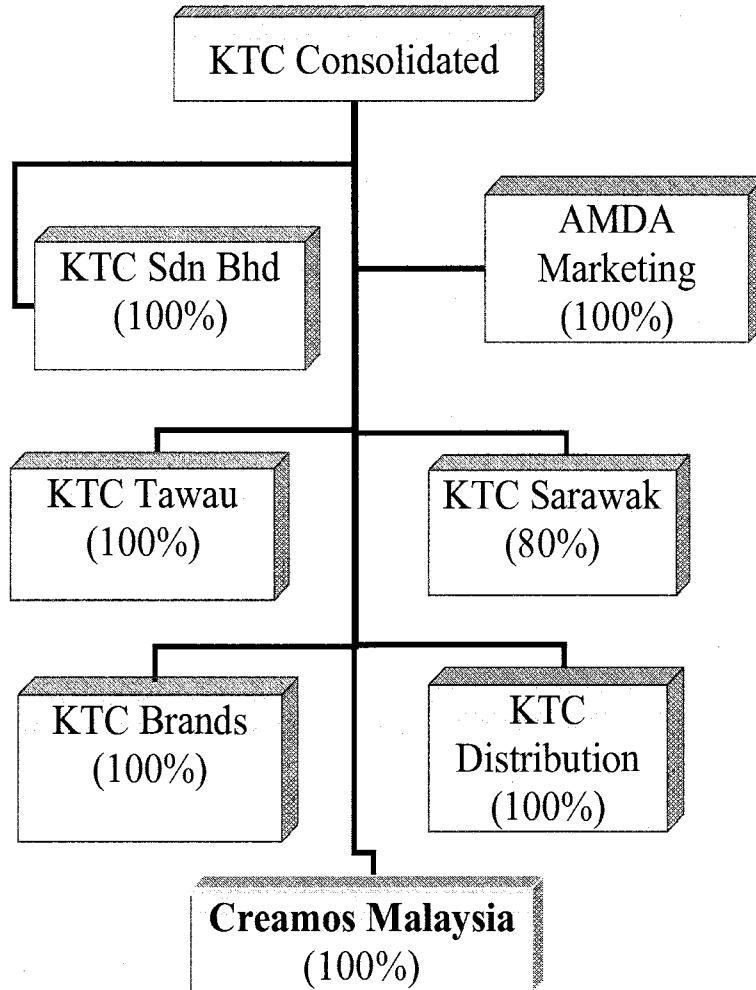
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3. GENERAL INFORMATION (Continued)

3.3 Group Structure

As at the date of this report, the group structure of KTC Consolidated is as follows:-



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3.4 The details of the subsidiary companies are as follows:-

No.	Name of Company	Date/Country of Incorporation	Issued and Paid-up Share Capital	Principal Activities
1.	KTC Sdn Bhd	18 April 1975, Malaysia	RM600,000	Distribution of consumer packaged goods.
2.	AMDA Marketing	8 October 2003, Malaysia	RM1,000,000	Distribution of consumer packaged goods.
3.	KTC Tawau	8 February 1983, Malaysia	RM500,000	Distribution of consumer packaged goods.
4.	KTC Sarawak	8 August 2001, Malaysia	RM50,000	Distribution of consumer packaged goods.
5.	KTC Brands	8 February 2013, Malaysia	RM2	Brand owner and procurement arm for KTC Group's own brand of products.
6.	KTC Distribution	19 October 2007, Malaysia	RM1,000,000	Distribution of consumer packaged goods focusing on food and beverage products.
7.	Creamos Malaysia	9 April 2012, Malaysia	RM500,000	Manufacturing of bakery products.

4. DIVIDENDS

No dividends have been paid or declared by KTC Consolidated since its date of incorporation.

No dividends have been paid or declared by its subsidiary companies for the relevant financial years/period under review, other than KTC Sdn Bhd, AMDA Marketing and KTC Tawau as set out in Notes 8.2.5(u), 8.3.5 (p) and 8.4.5(q) respectively.

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5. AUDITORS AND AUDITED FINANCIAL STATEMENTS

The financial year end of KTC Group is 30 June.

The auditors of its subsidiary companies for the relevant financial years/period under review are as follows:-

Company	Financial Year Ended ("FYE")/ Financial Period Ended ("FPE")	Auditors
KTC Consolidated	<ul style="list-style-type: none"> Financial Period from 17 October 2014 (date of incorporation) to 30 June 2015 	Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)
KTC Sdn Bhd ^{&}	<ul style="list-style-type: none"> FYE 30 June 2012; and FYE 30 June 2013 FYE 30 June 2014; and FYE 30 June 2015 	Messrs. Ernst & Young (Chartered Accountants, Malaysia) Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)
AMDA Marketing ^{&}	<ul style="list-style-type: none"> FYE 30 June 2013 FYE 30 June 2012*; FYE 30 June 2014; and FYE 30 June 2015 	Messrs. Ernst & Young (Chartered Accountants, Malaysia) Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)
KTC Tawau ^{&}	<ul style="list-style-type: none"> FYE 30 June 2013 FYE 30 June 2012*; FYE 30 June 2014; and FYE 30 June 2015 	Messrs. Ernst & Young (Chartered Accountants, Malaysia) Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)
KTC Sarawak ^l	<ul style="list-style-type: none"> FYE 30 June 2012*; FYE 30 June 2013*; FYE 30 June 2014*; FYE 30 June 2015 	Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)

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5. AUDITORS AND AUDITED FINANCIAL STATEMENTS (Continued)

Company	FYE/FPE	Auditors
KTC Brands ^{&}	<ul style="list-style-type: none"> Financial Period from 8 February 2013 (date of incorporation) to 30 June 2013; FYE 30 June 2014; and FYE 30 June 2015 	Messrs. Ernst & Young (Chartered Accountants, Malaysia) Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)
KTC Distribution ^{&}	<ul style="list-style-type: none"> FYE 30 June 2012*; FYE 30 June 2013*; FYE 30 June 2014*; FYE 30 June 2015 	Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)
Creamos Malaysia ^{&}	<ul style="list-style-type: none"> Financial Period from 9 April 2012 (date of incorporation) to 30 June 2013[!]; FYE 30 June 2014; and FYE 30 June 2015 	Messrs. CMK (Chartered Accountants, Malaysia) Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)

[&] These companies are direct wholly-owned subsidiary companies of KTC Consolidated.

[!] A direct 80%-owned subsidiary company of KTC Consolidated.

^{*} KTC Consolidated has four (4) subsidiary companies formerly with different financial year ends with the other companies within the KTC Group, namely KTC Tawau, AMDA Marketing, KTC Sarawak and KTC Distribution which have financial year ends as at 28 February, 31 January, 31 August and 31 December respectively. KTC Tawau, AMDA Marketing, KTC Sarawak and KTC Distribution had subsequently changed their financial year end to 30 June during the respective years of 2012 and 2014 in order to have coterminous financial year ends with other companies within the KTC Group. Following the change in the financial year end to 30 June in the respective years, the audited financial statements for:-

- KTC Tawau had been prepared for the 16 months FPE 30 June 2012;
- AMDA Marketing had been prepared for the 17 months FPE 30 June 2012;
- KTC Sarawak had been prepared for the 10 months FPE 30 June 2014; and
- KTC Distribution had been prepared for the 18 months FPE 30 June 2014.

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5. AUDITORS AND AUDITED FINANCIAL STATEMENTS (Continued)

* (Continued)

In compliance with Circular 41/2010 issued by the Malaysian Institute of Accountants in respect of the Preparation of the Historical Proforma Financial Information, Messrs Baker Tilly Monteiro Heng had been appointed by KTC Consolidated to perform a re-audit on the following financial statements of KTC Tawau, AMDA Marketing, KTC Sarawak and KTC Distribution which have been prepared in compliance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") in order to have the same financial year end and with the same duration with other companies within the KTC Group: -

Company Name	FYE
KTC Tawau	30 June 2012
AMDA Marketing	30 June 2012
KTC Sarawak	30 June 2012, 30 June 2013 and 30 June 2014
KTC Distribution	30 June 2012, 30 June 2013 and 30 June 2014

The audited financial statements of Creamos Malaysia for the financial period from 9 April 2012 (date of incorporation) to 30 June 2013 have been audited by another firm of Chartered Accountants other than Messrs. Baker Tilly Monteiro Heng, which have been prepared by the directors in compliance with the Private Entity Reporting Standards in Malaysia. In connection with the Listing as detailed in Note 2, Messrs. Baker Tilly Monteiro Heng has been appointed to conduct a review on the audited financial statements for the financial period from 9 April 2012 (date of incorporation) to 30 June 2013 in compliance with the MFRS and IFRS in Malaysia. There were no material impact on the financial statements of Creamos Malaysia for the financial period from 9 April 2012 (the date of incorporation) to 30 June 2013 arising from the adoption of MFRS and IFRS in Malaysia by Creamos Malaysia.

The audited financial statements of the subsidiary companies for the financial years/periods under review were reported by the auditors to their respective members without any modifications. However, the audited financial statements of Creamos Malaysia for the financial period from 9 April 2012 (date of incorporation) to 30 June 2013 contained the following qualified opinion paragraph:-

"Basis of Qualified Opinion

We are unable to obtain related supporting documents in order to satisfy ourselves as to the existence, completeness and accuracy of the administrative expenses and the cost of plant and machinery of the Company as reported in the Income Statement and Balance Sheet amounted to RM27,839 and RM21,134 respectively."

During the audit of the financial statements for the financial year ended 30 June 2014, all the above-mentioned related supporting documents had been obtained and the matters that gave rise to the above-mentioned qualification had been satisfactorily resolved.

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**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This report has been prepared on a basis consistent with the following accounting policies adopted by KTC Sdn Bhd in the preparation of its audited financial statements for the FYE 30 June 2015, which have been adopted by KTC Consolidated as the group accounting policies for the relevant financial years/period under review and in accordance with the MFRS issued by the Malaysian Accounting Standards Board ("MASB"), unless otherwise stated.

A. BASIS OF PREPARATION

The financial statements of KTC Group have been prepared in accordance with the MFRS, IFRS and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of KTC Group have been prepared under the historical cost basis, except as disclosed in the significant accounting policies in Note 6C.

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 7.

B. NEW MFRSs, AMENDMENTS/IMPROVEMENTS TO MFRSs AND NEW IC INTERPRETATIONS ("IC INT")**(a) Adoption of Amendments/Improvements to MFRSs and new IC Int**

The KTC Group had adopted the following amendments/improvements to MFRSs and new IC Int that are mandatory for the FYE 30 June 2015:-

Amendments/Improvements to MFRSs

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 2	Share-based Payment
MFRS 3	Business Combinations
MFRS 8	Operating Segments
MFRS 10	Consolidated Financial Statements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 124	Related Party Disclosures
MFRS 127	Separate Financial Statements
MFRS 132	Financial Instruments: Presentation
MFRS 136	Impairment of Assets

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. NEW MFRSs, AMENDMENTS/IMPROVEMENTS TO MFRSs AND NEW IC INT (Continued)

(a) Adoption of Amendments/Improvements to MFRSs and new IC Int (Continued)

Amendments/Improvements to MFRSs (Continued)

MFRS 138	Intangible Assets
MFRS 139	Financial Instruments: Recognition and Measurement
MFRS 140	Investment Property

New IC Int

IC Int 21	Levies
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The adoption of the above amendments/improvements to MFRSs and IC Int did not have any significant effect on the financial statements of the KTC Group or did not result in significant changes to the KTC Group's existing accounting policies.

(b) New MFRSs and Amendments/Improvements to MFRSs that are issued, but not yet effective and have not been early adopted

The KTC Group has not adopted the following new MFRSs and amendments/improvements to MFRSs that have been issued as at the date of authorisation of these financial statements but are not yet effective for the KTC Group:-

	Effective for financial periods beginning on or after	
<u>New MFRSs</u>		
MFRS 9	Financial Instruments	1 January 2018
MFRS 14	Regulatory Deferral Accounts	1 January 2016
MFRS 15	Revenue from Contracts with Customers	1 January 2018
<u>Amendments/Improvements to MFRSs</u>		
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2016
MFRS 7	Financial Instruments: Disclosures	1 January 2016
MFRS 10	Consolidated Financial Statements	1 January 2016
MFRS 11	Joint Arrangements	1 January 2016
MFRS 12	Disclosure of Interests in Other Entities	1 January 2016
MFRS 101	Presentation of Financial Statements	1 January 2016
MFRS 116	Property, Plant and Equipment	1 January 2016
MFRS 119	Employee Benefits	1 January 2016
MFRS 127	Separate Financial Statements	1 January 2016
MFRS 128	Investments in Associates and Joint Ventures	1 January 2016
MFRS 134	Interim Financial Reporting	1 January 2016
MFRS 138	Intangible Assets	1 January 2016
MFRS 141	Agriculture	1 January 2016

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
- B. NEW MFRSs, AMENDMENTS/IMPROVEMENTS TO MFRSs AND NEW IC INT (Continued)
- (b) New MFRSs and Amendments/Improvements to MFRSs that are issued, but not yet effective and have not been early adopted (Continued)

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

MFRS 9 Financial Instruments

MFRS 9 introduces a package of improvements which includes a classification and measurement model, a single forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

Classification and measurement

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

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

Impairment

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

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. NEW MFRSs, AMENDMENTS/IMPROVEMENTS TO MFRSs AND NEW IC INT (Continued)

(b) New MFRSs and Amendments/Improvements to MFRSs that are issued, but not yet effective and have not been early adopted (Continued)

*MFRS 9 Financial Instruments (Continued)*Hedge accounting

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

MFRS 14 Regulatory Deferral Accounts

MFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulations, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of MFRS. Entities that adopt MFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in the account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the KTC Group is an existing MFRS preparer, this standard would not apply.

MFRS 15 Revenue from Contracts with Customers

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

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

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. NEW MFRSs, AMENDMENTS/IMPROVEMENTS TO MFRSs AND NEW IC INT (Continued)

- (b) **New MFRSs and Amendments/Improvements to MFRSs that are issued, but not yet effective and have not been early adopted (Continued)**

MFRS 15 Revenue from Contracts with Customers (Continued)

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

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

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

Amendments to MFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Amendments to MFRS 5 introduce specific guidance on when an entity reclassifies an asset from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution is discontinued.

Amendments to MFRS 7 Financial Instruments: Disclosures

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

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

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

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

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

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**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****B. NEW MFRSs, AMENDMENTS/IMPROVEMENTS TO MFRSs AND NEW IC INT (Continued)****(b) New MFRSs and Amendments/Improvements to MFRSs that are issued, but not yet effective and have not been early adopted (Continued)*****Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures (Continued)***

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

- Exemption from presenting consolidated financial statements: the amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.
- Consolidation of intermediate investment entities: the amendments clarify that only a subsidiary is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiary companies of an investment entity are measured at fair value.
- Policy choice for equity accounting for investments in associated companies and joint ventures: the amendments allow a non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interest in subsidiary companies, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associated company or joint venture.

Amendments to MFRS 11 Joint Arrangements

Amendments to MFRS 11 clarify that when an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in MFRS 3, it shall apply the relevant principles on business combinations accounting in MFRS 3, and other MFRSs, that do not conflict with MFRS 11. Some of the impact arising may be the recognition of goodwill, recognition of deferred tax assets/liabilities and recognition of acquisition-related costs as expenses. The amendments do not apply to joint operations under common control and also clarify that previously held interests in a joint operation are not re-measured if the joint operator retains joint control.

Amendments to MFRS 101 Presentation of Financial Statements

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

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. NEW MFRSs, AMENDMENTS/IMPROVEMENTS TO MFRSs AND NEW IC INT (Continued)

(b) New MFRSs and Amendments/Improvements to MFRSs that are issued, but not yet effective and have not been early adopted (Continued)

Amendments to MFRS 116 Property, Plant and Equipment

Amendments to MFRS 116 introduce a rebuttable presumption that the revenue-based depreciation method is inappropriate. This presumption can be overcome only in the following limited circumstances:-

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

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability and the depth of the market for high quality corporate bonds should be assessed at a currency level.

Amendments to MFRS 127 Separate Financial Statements

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

Amendments to MFRS 134 Interim Financial Reporting

The amendments to MFRS 134 require entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments state that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g. in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. NEW MFRSs, AMENDMENTS/IMPROVEMENTS TO MFRSs AND NEW IC INT
(Continued)

(b) New MFRSs and Amendments/Improvements to MFRSs that are issued, but not yet effective and have not been early adopted (Continued)

Amendments to MFRS 138 Intangible Assets

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

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

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

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of KTC Consolidated and its subsidiary companies as at the end of the reporting period. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as KTC Consolidated. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full on consolidation. Unrealised losses resulting from intra-group transactions are also eliminated unless costs cannot be recovered.

Acquisition of a subsidiary company is accounted for by applying the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss. Changes in the Group's ownership interest in a subsidiary company which does not result in a loss of controls are treated as transactions between equity holders and are reported in equity.

The KTC Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the KTC Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the consolidated statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) BASIS OF CONSOLIDATION (Continued)

Subsidiary company is consolidated from the date of acquisition, being the date on which the KTC Group obtains control, and continues to be consolidated until the date that such control ceases.

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

(b) SUBSIDIARY COMPANY

A subsidiary company is an entity (including structured entities) over which KTC Consolidated has control. KTC Consolidated controls an entity which KTC Consolidated is exposed to, or has rights to, variables return from its involvement with the entity and has the ability to affect those returns through its power over the entity. A subsidiary company is fully consolidated from the date on which control is transferred to KTC Consolidated. They are deconsolidated from the date that control ceases.

An investment in a subsidiary company, which is eliminated on consolidation, stated in KTC Consolidated's separate financial statements at costs less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 6C(i). On disposal of such investment, the difference between the net disposal proceeds and their carrying amount is included in the profit or loss.

(c) PREFERENCE SHARES

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distribution within equity. Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

Transaction cost are apportioned between the liability and equity components of the preference shares based on the allocation of proceeds to the liability and the equity components when the instruments are initially recognised.

13. ACCOUNTANTS' REPORT (Cont'd)**KIM TECK CHEONG CONSOLIDATED BERHAD**
Accountants' Report**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****C. SIGNIFICANT ACCOUNTING POLICIES (Continued)****(d) CURRENCIES****Functional and Presentation Currencies**

The financial statements of the KTC Group are measured using the currency of the primary economic environment in which KTC Group operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also KTC Group's functional and presentation currencies.

(e) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (other than leasehold lands and buildings) are stated at historical cost less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 6C(i).

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

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

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

During the FYE 30 June 2012, FYE 30 June 2013 and FYE 30 June 2014, property, plant and equipment was measured at cost less accumulated depreciation and accumulated impairment losses. During the FYE 30 June 2015, this policy has been changed to carrying leasehold lands and buildings at its fair value with changes in fair value recognised in other comprehensive income. This voluntary change in policy is a more appropriate reflection of the value of the KTC Group's total assets.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) PROPERTY, PLANT AND EQUIPMENT (Continued)

The change in accounting policy has been applied prospectively. The effects of the change in policy are disclosed in Notes 8.2.5 (g), 8.3.5 (f), 8.4.5 (f), 8.7.5 (g) and 8.8.5 (f) respectively.

Cost includes expenditure that is directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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

Leasehold land is amortised over its remaining lease period. Other property, plant and equipment are depreciated on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets concerned. The annual rates used for this purpose are as follows:-

Leasehold buildings	2.20%
Office equipment, furniture and fittings, computers and renovation	10% - 20%
Motor vehicles	20%

Capital work-in-progress is not depreciated as this asset is not yet available for use.

The residual values, useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. The effects of any revisions of the residual values and useful lives are included in the profit or loss for the financial year in which the changes arise.

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

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

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) INVESTMENT PROPERTY

Investment property is property held to earn rental income or for capital appreciation or both.

Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair values of investment properties are recognised in profit or loss for the period in which they arise.

Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property. The cost of a self-constructed investment property includes the cost of material, direct labour and any other direct attributable costs. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 6C(r).

An investment property is derecognised on their disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gains and losses arising from derecognition of the asset is recognised in the profit or loss.

Investment in leasehold land is amortised over its remaining lease period.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property carried at fair value to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, any difference arising on the date of change in use between the carrying amount of the item immediately prior to the transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment.

During the FYE 30 June 2012, FYE 30 June 2013 and FYE 30 June 2014, investment property was measured at cost less accumulated depreciation/amortisation and accumulated impairment losses. During the current FYE 30 June 2015, this policy has been changed to carrying investment property at its fair value with changes in fair value recognised in profit or loss. This voluntary change in policy is a more appropriate reflection of the value of the KTC Group's total assets.

The change in accounting policy has been applied retrospectively on 1 July 2013. The effects of the change in policy are disclosed in Notes 8.2.5 (h) and 8.7.5 (h) respectively.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) INVENTORIES

Inventories are stated at the lower of cost or net realisable value. Costs comprise direct material and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined using first-in-first-out basis.

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

(h) FINANCIAL INSTRUMENTS

Financial instruments are recognised in the statement of financial position when, and only when, the KTC Group becomes a party to the contractual provisions of the financial instruments.

A financial instrument is recognised initially, at its fair value, plus, in the case of financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

KTC Group categorises the financial instruments as follows:-

(i) Financial Assets

• Financial Assets at Fair Value through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held-for-trading or are designated as such upon the initial recognition.

A financial asset is classified as held-for-trading if it is acquired principally for the purpose of selling in the near future or part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) FINANCIAL INSTRUMENTS (Continued)

(i) Financial Assets (Continued)

- **Financial Assets at Fair Value through Profit or Loss (Continued)**

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

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

- **Loans and Receivables**

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

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

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

- **Held-to-maturity Investments**

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) FINANCIAL INSTRUMENTS (Continued)

(i) Financial Assets (Continued)

• Held-to-maturity Investments (Continued)

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the end of the reporting period which are classified as current.

• Available-for-sale Financial Assets

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

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

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment losses, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the end of the reporting period.

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) FINANCIAL INSTRUMENTS (Continued)

(ii) Financial Liabilities

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

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the KTC Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

• **Financial Liabilities at Fair Value through Profit or Loss**

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

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

• **Other Financial Liabilities**

The KTC Group's other financial liabilities include trade and other payables and loans and borrowings.

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) FINANCIAL INSTRUMENTS (Continued)

(ii) Financial Liabilities (Continued)

• Other Financial Liabilities (Continued)

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

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

(iii) Financial Guarantee Contracts

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

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

(i) IMPAIRMENT OF ASSETS

The KTC Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) IMPAIRMENT OF ASSETS (Continued)

(i) Trade and Other Receivables and Other Financial Assets Carried at Amortised Cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the KTC Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the KTC Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When trade and other receivables become uncollectible, they are written off against the allowance account.

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

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) IMPAIRMENT OF ASSETS (Continued)

(ii) Impairment of Non-financial Assets

The KTC Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the KTC Group makes an estimate of the asset's recoverable amount.

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

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

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) PROVISIONS

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

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

(k) LEASES AND HIRE PURCHASE

Assets financed by finance lease and hire purchase arrangements which transfer substantially all the risks and rewards of ownership to the KTC Group are capitalised as property, plant and equipment, and the corresponding obligations are treated as liabilities. The assets so capitalised are depreciated in accordance with the accounting policy on property, plant and equipment.

Assets acquired by way of finance lease and hire purchase arrangements are stated at an amount equal to the lower of their fair values and the present value of minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 6C(i). The corresponding liability is included in the statement of financial position as borrowings. In calculating the present value of minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the KTC Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

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

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) LEASES AND HIRE PURCHASE (Continued)

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(l) NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable MFRSs. Then, on initial classification as held for sale, non-current assets are measured in accordance with MFRS 5 that is at the lower of carrying amount and fair value less cost to sell. Any differences are included in profit or loss.

(m) EQUITY INSTRUMENTS

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

Ordinary shares are recorded at the nominal value. The consideration in excess of nominal value of shares issued, if any, is accounted for as share premium. Both ordinary shares and share premium are classified as equity.

Dividend on ordinary shares is recognised as a liability in the period in which it is declared. A dividend proposed or declared after the end of the reporting period, but before the financial statements are authorised for issue, is not recognised as a liability at the end of the reporting period.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) EQUITY INSTRUMENTS (Continued)

Costs incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, if any, otherwise it is recognised in profit or loss. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(n) DISTRIBUTION OF NON-CASH ASSETS TO OWNERS

The distribution of non-cash assets to owners is recognised as dividend payable when the dividend is approved by shareholders. The dividend payable is measured at the fair value of the assets to be distributed. At the end of the financial year and on the settlement date, the KTC Group reviews the carrying amount of the dividend payables, with any changes in fair value of the dividend payables recognised in equity. When the KTC Group settles the dividend payable, the difference between the carrying amount of the dividend distributed and the carrying amount of dividend payable is recognised as a separate line item in profit or loss.

(o) ASSETS HELD FOR DISTRIBUTION

Assets will be classified as held for distribution only when the KTC Group is committed to distribute the assets to the owners. The assets must be available for immediate distribution in their present condition and the distribution is highly probable. For the distribution to be highly probable, actions to complete the distribution must have been initiated and should be expected to be completed within one year from the date of classification. Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the distribution will be withdrawn. The possibility of shareholders' approval (if required) is considered when assessing the distributions' probability.

Upon classification as held for distribution, non-current assets are not depreciated and are measured at the lower of carrying amount and fair value less costs to distribute. Any differences are recognised in the profit or loss.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) REVENUE RECOGNITION

The KTC Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the KTC Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The KTC Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sale of Goods

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

(ii) Services

Revenue from services is recognised upon service rendered and customers' acceptance.

(iii) Rental Income

Rental income is recognised on an accrual basis.

(iv) Interest Income

Interest income is recognised on an accrual basis.

(q) EMPLOYEE BENEFITS

(i) Short-term Employee Benefits

Wages, salaries, bonuses, social security contribution and non-monetary benefits are recognised as an expense in the financial year in which the associated services are rendered by the employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave and maternity leave are recognised when absences occur.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) EMPLOYEE BENEFITS (Continued)

(ii) Defined Contribution Plan

The KTC Group contributes to the Employees Provident Fund ("EPF"), the national defined contribution plan. The contributions are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the KTC Group has no further payment obligations.

(r) BORROWING COSTS

Borrowing costs directly attributable to the acquisition and construction of property, plant and equipment and investment properties are capitalised as part of the costs of those assets, until such time the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the profit or loss in the period in which they are incurred.

(s) TAXATION

The tax expense in the profit or loss represents the aggregate amount of current tax and deferred tax.

(i) Current Tax

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted at the end of the reporting period.

(ii) Deferred Tax

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

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) TAXATION (Continued)

(ii) Deferred Tax (Continued)

The carrying amount of deferred tax assets, if any, is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at the tax rate that is expected to apply in the period when the asset is realised or the liability is settled, based on tax rate that has been enacted or substantively enacted at the end of the reporting period.

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

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the KTC Group intends to settle its current tax assets and current tax liabilities on a net basis.

(t) CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past event and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the KTC Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) CASH AND CASH EQUIVALENTS

For the purpose of statement of cash flows, cash and cash equivalents comprise cash in hand, bank balances and fixed deposits placed with licensed banks that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value, net of fixed deposits pledged to licensed bank and bank overdraft. Cash and cash equivalents form an integral part of the KTC Group's cash management.

(v) FAIR VALUE MEASUREMENTS

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

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

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

13. ACCOUNTANTS' REPORT (Cont'd)**KIM TECK CHEONG CONSOLIDATED BERHAD**
Accountants' Report**7. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

(i) Useful Lives of Property, Plant and Equipment

The KTC Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The directors estimate the useful lives of the KTC Group's property, plant and equipment to be 5 to 99 years. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets.

It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

(ii) Classification between Investment Property and Property, Plant and Equipment

The KTC Group has developed certain criteria based on MFRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held either to earn rental income or for capital appreciation or for both.

During the FYE 30 June 2015, KTC Distribution had transferred its investment property to property, plant and equipment as disclosed in Note 8.7.5 (g).

(iii) Impairment of Non-current Assets

The KTC Group reviews the carrying amount of its non-current assets, which include property, plant and equipment and investment property to determine whether there is an indication that those assets have suffered an impairment loss in accordance with relevant accounting policies on the respective category of non-current assets. Independent professional valuations to determine the carrying amount of these assets will be procured when the need arises.

At the end of each reporting period, the directors are of the view that there is no indication of impairment to these assets. The carrying amounts of property, plant and equipment are disclosed in Notes 8.2.5 (g), 8.3.5 (f), 8.4.5 (f), 8.5.5 (f), 8.7.5 (g) and 8.8.5 (f), while investment property are disclosed in Notes 8.2.5 (h) and 8.7.5 (h).

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



7. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(iv) Allowance for Writedown in Inventories

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

(v) Impairment of Loans and Receivables

The KTC Group assesses at the end of each reporting period whether there is any objective evidence that loans and receivables are impaired. To determine whether there is objective evidence of impairment, the KTC Group considers factors such as the probability of insolvency or significant financial difficulties of the debtors and defaults or significant delays in payments.

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

(vi) Income tax

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

(vii) Revaluation of Property, Plant and Equipment and Investment Property

The KTC Group carries its leasehold lands and buildings and investment property at fair value, with changes in fair value being recognised in other comprehensive income and profit or loss respectively. The KTC Group engaged an independent valuation specialist to assess the fair values as at 30 June 2015 for revalued leasehold lands and buildings and investment property.

The key assumptions used to determine the fair value of the leasehold lands and buildings and investment property and sensitivity analysis are disclosed in Notes 8.2.5 (g), 8.2.5 (h), 8.3.5 (f), 8.4.5 (f), 8.5.5 (f), 8.7.5 (g), 8.7.5 (h) and 8.8.5 (f).

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS

8.1 Audited Financial Statements of KTC Consolidated

8.1.1 Audited Statement of Profit or Loss and Other Comprehensive Income of KTC Consolidated

The audited statement of profit or loss and other comprehensive income of KTC Consolidated for the financial period from 17 October 2014 (date of incorporation) to 30 June 2015 is as follows:-

	Note	17 October 2014 to 30 June 2015 RM'000
Revenue		-
Cost of sales		-
Gross Profit		<u>-</u>
Administrative expenses		(664)
Loss before taxation	8.1.5 (a)	<u>(664)</u>
Income tax expense	8.1.5 (b)	-
Net loss for the financial period, representing total comprehensive loss for the financial period		<u>(664)</u>
<i>Gross profit margin (%)</i>		N/A
<i>Loss before tax margin (%)</i>		N/A
<i>Effective tax rate (%)</i>		N/A
<i>Weighted average number of ordinary shares in issue</i>		*
<i>Gross loss per share ("LPS") (RM)</i>		33,200
<i>Net LPS (RM)</i>		33,200

* 20 ordinary shares of RM0.10 each

Notes: (i) Gross LPS is computed based on loss before tax for the financial year over the weighted average number of ordinary shares in issue.

(ii) Net LPS is computed based on net loss after tax for the financial year over the weighted average number of ordinary shares in issue.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Financial Statement of KTC Consolidated (Continued)

8.1.2 Audited Statements of Financial Position of KTC Consolidated

The audited statement of financial position of KTC Consolidated as at 30 June 2015 is as follows:-

	Note	As at 30 June 2015 RM'000
ASSETS		
Current assets		
Prepayment		7
Cash in hand		*
Total current assets		<u>7</u>
TOTAL ASSETS		<u>7</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of KTC Consolidated		
Share capital	8.1.5 (c)	*
Current financial period loss		(664)
Total equity		<u>(664)</u>
Current liabilities		
Other payables and accrual	8.1.5 (d)	671
Total liabilities		<u>671</u>
TOTAL EQUITY AND LIABILITIES		<u>7</u>
<i>Number of ordinary shares in issue of RM0.10 each</i>		
		20
<i>Net tangible liabilities ("NTL") (RM'000)</i>		
		(664.00)
<i>NTL per ordinary share (RM)</i>		
		(33.20)
<i>Net liabilities ("NL") (RM'000)</i>		
		(664.00)
<i>NL per ordinary share (RM)</i>		
		(33.20)

* RM2

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Financial Statements of KTC Consolidated (Continued)

8.1.3 Audited Statement of Changes in Equity of KTC Consolidated

The audited statement of changes in equity of KTC Consolidated for the financial period from 17 October 2014 (date of incorporation) to 30 June 2015 is as follows:-

	Share Capital RM'000	Current Financial Period Loss RM'000	Total Equity RM'000
Balance at 17 October 2014 (date of incorporation)	*	-	*
Total comprehensive loss for the financial period	-	(664)	(664)
Balance at 30 June 2015	*	(664)	(664)

* RM2

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Financial Statement of KTC Consolidated (Continued)

8.1.4 Audited Statement of Cash Flows of KTC Consolidated

The audited statement of cash flows of KTC Consolidated for the financial period from 17 October 2014 (date of incorporation) to 30 June 2015 is as follows:-

	17 October 2014 to 30 June 2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss before tax and working capital changes	(664)
Changes in working capital	
Payables	18
Receivables	(7)
Net Operating Cash Flows	<u>(653)</u>
CASH FLOWS FROM FINANCING ACTIVITY	
Net change in amounts due to companies in which certain directors have interests, representing net financing cash flow	<u>653</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS AT THE DATE OF INCORPORATION	<u>*</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u>*</u>

* RM2

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Financial Statements of KTC Consolidated (Continued)

8.1.5 Notes to the Audited Financial Statements of KTC Consolidated

(a) Loss Before Taxation

Loss before taxation is arrived at:-

	17 October 2014 to 30 June 2015 RM'000
After charging:-	
Auditors' remuneration	18
Directors' remuneration	
- allowance	20
Rental of equipment	12
Listing expenses	531

(b) Income Tax Expense

No provision for income tax has been made as KTC Consolidated incurred losses and has no chargeable income during the FPE 30 June 2015.

The reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of KTC Consolidated is as follows:-

	17 October 2014 to 30 June 2015 RM'000
Loss before taxation	(664)
Tax at statutory tax rate of 25%	(166)
Tax effect arising from:-	
- non-deductible expenses	166
Tax expense for the financial period	-

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Financial Statements of KTC Consolidated (Continued)

8.1.5 Notes to the Audited Financial Statements of KTC Consolidated (Continued)

(c) Share Capital

	As at 30 June 2015	
	Number of shares Unit'000	RM'000
Ordinary shares of RM0.10 each:-		
Authorised:-		
At the date of incorporation/end of the financial period	4,000	400
Issued and fully paid-up:-		
At the date of incorporation/end of the financial period	#	*

20 Ordinary shares of RM0.10 each

* RM2

(d) Other Payables and Accrual

	As at 30 June 2015 RM'000
Accrual	18
Amounts due to companies in which certain directors have interests	653
Total other financial liabilities carried at amortised cost	671

The amounts due to companies in which certain directors have interests is non-trade in nature, unsecured, interest-free and repayable upon demand.

(e) Financial Guarantees

Subsequent to 30 June 2015 and following the completion of the Acquisitions as detailed in Note 2.1, KTC Consolidated has granted corporate guarantees totalling RM46,978,000 in favour of various licensed banks for credit facilities granted to its subsidiary companies.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Financial Statements of KTC Consolidated (Continued)

8.1.5 Notes to the Audited Financial Statements of KTC Consolidated (Continued)

(f) Commitments

	As at 30 June 2015 RM'000
Approved and contracted for but not provided for in the financial statements	
- acquisition of distribution business in Brunei	1,542
- Acquisitions as detailed in Note 2.1	60,830
	62,372

(g) Significant Related Party Disclosures

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with KTC Consolidated or that has an interest in KTC Consolidated that gives it significant influence over KTC Consolidated's financial and operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in KTC Consolidated resides with, directly or indirectly.

The nature of the relationships with the related parties are as follows:-

Name of Related Parties	Nature of Relationship
KTC Sdn Bhd *	A company in which certain directors have interests
AMDA Marketing *	A company in which certain directors have interests
Creamos Malaysia *	A company in which certain directors have interests
KTC Brands *	A company in which certain directors have interests
KTC Distributions *	A company in which certain directors have interests
KTC Sarawak *	A company in which certain directors have interests
KTC Tawau *	A company in which certain directors have interests

* *These companies become the subsidiary companies of KTC Consolidated upon the completion of the Acquisitions as disclosed in Notes 2.1 and 8.1.5 (j)(iii).*

There were no significant transactions between KTC Consolidated and its related parties during the financial period and the outstanding balances are disclosed in Note 8.1.5 (d).

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. **AUDITED FINANCIAL STATEMENTS (Continued)**

8.1 **Audited Financial Statements of KTC Consolidated (Continued)**

8.1.5 **Notes to the Audited Financial Statements of KTC Consolidated (Continued)**

(h) **Financial Instruments**

(i) **Financial risk management and objectives**

KTC Consolidated is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include liquidity risk.

The directors of KTC Consolidated review and agree policies and procedures for the management of this risk.

The following sections provide details regarding KTC Consolidated's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of this risk.

Liquidity risk

Liquidity risk is the risk that KTC Consolidated will encounter difficulty in meeting financial obligations due to shortage of funds, KTC Consolidated's exposure to liquidity risk arises principally from mismatches of the maturities of financial assets and liabilities.

KTC Consolidated obtains financial support from the directors and shareholders to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities on and when they fall due.

As at 30 June 2015, all of KTC Consolidated's financial liabilities, as disclosed in Note 8.1.5(d) will mature in less than one year based on the carrying amounts reflected in the statement of financial position.

(ii) **Fair value measurement**

The carrying amounts of cash and cash equivalents, short term receivables and payables reasonably approximate to their fair values due to the relatively short term nature of these financial instruments.

There have been no transfers between Levels 1, 2 and 3 during the FPE 30 June 2015.

KTC Consolidated does not have any financial assets or financial liabilities measured at Levels 1, 2 and 3 hierarchy.

There were no unrecognised financial instruments as at 30 June 2015 that are required to be disclosed.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Financial Statements of KTC Consolidated (Continued)

8.1.5 Notes to the Audited Financial Statements of KTC Consolidated (Continued)

(i) Capital Management

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

KTC Consolidated manages its capital structure, and make adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, KTC Consolidated may adjust dividend payment to shareholders, return capital to its shareholders or issue new shares, raise new debts and reduce existing debts.

KTC Consolidated monitors the level of dividends to be paid to shareholders. KTC Consolidated's objective is to pay out regular dividends to the shareholders based on the level of KTC Consolidated's profitability and cash flows.

KTC Consolidated monitors capital using a gearing ratio, which is net debts divided by total capital plus net debts. Net debts comprise total other payables and accrual, less cash in hand whilst total capital is the shareholders' funds of KTC Consolidated.

The gearing ratio is as follows:-

	As at 30 June 2015 RM'000
Net debts	
Other payables and accrual	671
Less: Cash in hand	*
	<hr/> 671
Capital	
Equity attributable to owners of KTC Consolidated	(664)
Capital and net debts	<hr/> 7
Gearing ratio	<hr/> 9,523.3%

* (RM2)

There were no changes in KTC Consolidated's approach to capital management during the financial period under review.

KTC Consolidated is not subject to externally imposed capital requirements.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.1 Audited Financial Statements of KTC Consolidated (Continued)

8.1.5 Notes to the Audited Financial Statements of KTC Consolidated (Continued)

(j) Significant Events Subsequent to the End of the Reporting Period

KTC Consolidated had on 1 July 2015,

- (i) Became the subsidiary company of KTC Holdings following the completion of the Acquisitions as detailed in Note 2.1;
- (ii) Increased its authorised share capital from RM400,000 to RM75,000,000 through the creation of 746,000,000 new KTC Consolidated Shares and 25,000,000 RCPS; and
- (iii) Increased its issued and fully paid-up share capital from RM2 to RM36,827,700 through the allotment of 368,276,980 KTC Consolidated Shares to KTC Holdings and the allotment of 24,001,858 RCPS to KTC Holdings as consideration following the completion of the Acquisitions as detailed in Note 2.1.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd

8.2.1 Audited Statements of Profit or Loss and Other Comprehensive Income of KTC Sdn Bhd

The audited statements of profit or loss and other comprehensive income of KTC Sdn Bhd for the FYE 30 June 2012, FYE 30 June 2013, FYE 30 June 2014 and FYE 30 June 2015 are as follows:-

	Note	← FYE 30 June →			
		2012 RM'000 (Restated)	2013 RM'000 (Restated)	2014 RM'000 (Restated)	2015 RM'000
Revenue	8.2.5 (a)	128,104	147,275	148,983	140,768
Cost of sales		(113,667)	(132,224)	(132,711)	(125,413)
Gross profit		14,437	15,051	16,272	15,355
Other income	8.2.5 (b)	2,543	3,803	4,383	3,593
Administrative expenses		(3,771)	(3,896)	(3,622)	(4,406)
Selling and distribution expenses		(7,076)	(8,240)	(8,518)	(7,801)
Other operating expenses		(525)	(397)	(519)	(253)
Operating profit		5,608	6,321	7,996	6,488
Finance costs	8.2.5 (c)	(1,249)	(1,191)	(1,377)	(1,552)
Profit before taxation	8.2.5 (d)	4,359	5,130	6,619	4,936
Income tax expense	8.2.5 (f)	(1,263)	(921)	(1,446)	(1,386)
Net profit for the financial years		3,096	4,209	5,173	3,550
Other comprehensive income, net of taxation:					
Revaluation of property, plant and equipment		-	-	-	12,236
Total comprehensive income for the financial years		3,096	4,209	5,173	15,786
<i>Gross profit margin (%)</i>		11.27	10.22	10.92	10.91
<i>Profit before tax margin (%)</i>		3.40	3.48	4.44	3.51
<i>Effective tax rate (%)</i>		28.97	17.95	21.85	28.08
<i>Weighted average number of ordinary shares in issue ('000)</i>		600	600	600	600
<i>Gross earnings per share ("EPS") (RM)</i>		7.27	8.55	11.03	8.23
<i>Net EPS (RM)</i>		5.16	7.02	8.62	5.92

Notes: (i) Gross EPS is computed based on profit before tax for the financial year over the weighted average number of ordinary shares in issue.

(ii) Net EPS is computed based on net profit after tax for the financial year over the weighted average number of ordinary shares in issue.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.2 Audited Statements of Financial Position of KTC Sdn Bhd

The audited statements of financial position of KTC Sdn Bhd as at 30 June 2012, 30 June 2013, 30 June 2014 and 30 June 2015 are as follows:-

	Note	← As at 30 June →			
		2012 RM'000 (Restated)	2013 RM'000 (Restated)	2014 RM'000 (Restated)	2015 RM'000 (Restated)
ASSETS					
Non-current assets					
Property, plant and equipment	8.2.5 (g)	9,760	10,445	8,122	22,920
Investment property	8.2.5 (h)	19,331	9,500	11,029	11,029
Total non-current assets		29,091	19,945	19,151	33,949
Current assets					
Inventories	8.2.5 (i)	19,587	19,697	22,653	23,776
Trade and other receivables	8.2.5 (j)	23,103	29,759	33,335	29,717
Tax recoverable		603	64	-	139
Fixed deposits placed with a licensed bank	8.2.5 (k)	2,057	2,086	599	-
Cash and bank balances	8.2.5 (k)	5,423	5,228	3,729	16,351
Total current assets		50,773	56,834	60,316	69,983
Non-current asset held for sale	8.2.5 (l)	-	-	2,178	-
TOTAL ASSETS		79,864	76,779	81,645	103,932
EQUITY AND LIABILITIES					
Equity attributable to owner(s) of KTC Sdn Bhd					
Share capital	8.2.5 (m)	600	600	600	600
Revaluation reserve	8.2.5 (n)	-	-	-	12,094
Retained earnings	8.2.5 (o)	29,904	25,593	30,766	26,856
Total equity		30,504	26,193	31,366	39,550

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.2 Audited Statements of Financial Position of KTC Sdn Bhd (Continued)

	Note	As at 30 June			
		2012 RM'000 (Restated)	2013 RM'000 (Restated)	2014 RM'000 (Restated)	2015 RM'000
Non-current liabilities					
Hire purchase payables	8.2.5 (p)	-	171	146	1,478
Borrowings	8.2.5 (q)	9,586	7,635	7,131	5,833
Deferred tax liabilities	8.2.5 (r)	523	175	222	977
Total non-current liabilities		10,109	7,981	7,499	8,288
Current liabilities					
Trade and other payables	8.2.5 (s)	10,539	12,189	11,949	28,603
Hire purchase payables	8.2.5 (p)	-	23	25	247
Borrowings	8.2.5 (q)	28,712	30,393	30,694	27,244
Current tax liabilities		-	-	112	-
Total current liabilities		39,251	42,605	42,780	56,094
Total liabilities		49,360	50,586	50,279	64,382
TOTAL EQUITY AND LIABILITIES					
		79,864	76,779	81,645	103,932
<i>Number of ordinary shares in issue of RM1.00 each ('000)</i>					
		600	600	600	600
<i>Net tangible assets ("NTA") (RM'000)</i>					
		30,504	26,193	31,366	39,550
<i>NTA per ordinary share (RM)</i>					
		50.84	43.66	52.28	65.92
<i>Net assets ("NA") (RM'000)</i>					
		30,504	26,193	31,366	39,550
<i>NA per ordinary share (RM)</i>					
		50.84	43.66	52.28	65.92

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.3 Audited Statements of Changes in Equity of KTC Sdn Bhd

The audited statements of changes in equity of KTC Sdn Bhd for the FYE 30 June 2012, FYE 30 June 2013, FYE 30 June 2014 and FYE 30 June 2015 are as follows:-

	Note	Share Capital RM'000	<u>Non- Distributable</u> Revaluation Reserve RM'000	<u>Distributable</u> Retained Earnings RM'000	Total Equity RM'000
Balance at 1 July 2011					
As previously reported		600	-	20,452	21,052
Prior year adjustments	8.2.5 (aa)	-	-	6,356	6,356
Balance at 1 July 2011, as restated		600	-	26,808	27,408
Total comprehensive income for the financial year					
As previously reported		-	-	2,758	2,758
Prior year adjustments	8.2.5 (aa)	-	-	338	338
As restated		-	-	3,096	3,096
Balance at 30 June 2012, as restated		600	-	29,904	30,504
Balance at 1 July 2012					
As previously reported		600	-	23,210	23,810
Prior year adjustments	8.2.5 (aa)	-	-	6,694	6,694
Balance at 1 July 2012, as restated		600	-	29,904	30,504
Total comprehensive income for the financial year					
As previously reported		-	-	9,709	9,709
Prior year adjustments	8.2.5 (aa)	-	-	(5,500)	(5,500)
As restated		-	-	4,209	4,209
Transactions with owners:					
Dividend on ordinary shares	8.2.5 (u)	-	-	(21,420)	(21,420)
Partial cancellation of dividend	8.2.5 (u)	-	-	12,900	12,900
Balance at 30 June 2013, as restated		600	-	25,593	26,193

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.3 Audited Statements of Changes in Equity of KTC Sdn Bhd (Continued)

	Note	Non-		Total
		Share Capital	Distributable Revaluation Reserve	
		RM'000	RM'000	RM'000
Balance at 1 July 2013				
As previously reported		600	-	24,399
Prior year adjustments	8.2.5 (aa)	-	-	1,194
Balance at 1 July 2013, as restated		600	-	25,593
Total comprehensive income for the financial year				
As previously reported		-	-	3,465
Prior year adjustments	8.2.5 (aa)	-	-	1,708
As restated		-	-	5,173
Balance at 30 June 2014, as restated		600	-	30,766
Balance at 1 July 2014				
As previously reported		600	-	27,864
Prior year adjustments	8.2.5 (aa)	-	-	2,902
Balance at 1 July 2014, as restated		600	-	30,766
Total comprehensive income for the financial year				
		-	12,236	3,550
Amortisation and depreciation transfer for leasehold lands and buildings				
		-	(142)	142
Transactions with owners:				
Dividend on ordinary shares	8.2.5 (u)	-	-	(7,602)
Balance at 30 June 2015		600	12,094	26,856

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.4 Audited Statements of Cash Flows of KTC Sdn Bhd

The audited statements of cash flows of KTC Sdn Bhd for the FYE 30 June 2012, FYE 30 June 2013, FYE 30 June 2014 and FYE 30 June 2015 are as follows:-

	← FYE 30 June →			
	2012 RM'000 (Restated)	2013 RM'000 (Restated)	2014 RM'000 (Restated)	2015 RM'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	4,359	5,130	6,619	4,936
Adjustments for:-				
Amortisation of leasehold land	132	107	108	209
Depreciation of property, plant and equipment	594	464	429	680
Gain on disposal of property, plant and equipment	(4)	(343)	(126)	(920)
Interest income	(90)	(125)	(90)	(43)
Interest expenses	1,249	1,191	1,377	1,552
Property, plant and equipment written off	2	^	@	-
Inventories written off	523	397	518	253
Bad debts written off	43	-	-	-
Fair value adjustment on investment property	-	(719)	(1,529)	-
Operating profit before working capital changes	6,808	6,102	7,306	6,667
Changes in working capital				
Inventories	(1,540)	(507)	(3,474)	(1,376)
Receivables	2,876	(5,824)	1,553	4,547
Payables	(2,999)	1,650	(359)	14,726
Cash generated from operations	5,145	1,421	5,026	24,564
Interests paid	(16)	(3)	#	(78)
Interests received	90	125	90	43
Income tax paid	(1,332)	(1,335)	(1,334)	(1,526)
Income tax refunded	-	604	112	-
Net Operating Cash Flows	3,887	812	3,894	23,003

^ RM587

@ RM378

(RM205)

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.4 Audited Statements of Cash Flows of KTC Sdn Bhd (Continued)

	← FYE 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
	(Restated)	(Restated)	(Restated)	
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment*	(461)	(1,074)	(393)	(1,130)
Purchase of investment properties	(8,781)	-	-	-
Proceeds from disposal of property, plant and equipment	260	359	127	3,135
Net Investing Cash Flows	(8,982)	(715)	(266)	2,005
CASH FLOWS FROM FINANCING ACTIVITIES				
Interests paid	(1,233)	(1,188)	(1,377)	(1,474)
Net change in amount due from immediate holding company (Note 8.2.5 (j)(ii))	-	(889)	(4,714)	(2,000)
Net change in amount due to a shareholder	(249)	-	-	-
Net change in amount due to directors	(592)	-	-	-
Net change in amount due from/to related companies	-	(370)	(352)	(4,606)
Net change in amount due from/to companies in which the directors have interests	112	428	57	-
Net change in amount due from ultimate holding company	-	-	(2)	2
Repayments of hire purchase payables	(214)	(4)	(23)	(159)
Repayments of term loans	(793)	(705)	(493)	(1,535)
Repayments of bankers' acceptances	(105,248)	(114,755)	(120,136)	(152,451)
Drawdown of term loans	7,000	433	-	-
Drawdown of bankers' acceptances	109,363	116,787	120,426	146,561
Net Financing Cash Flows	8,146	(263)	(6,614)	(15,662)

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.4 Audited Statements of Cash Flows of KTC Sdn Bhd (Continued)

	← FYE 30 June →			
	2012 RM'000 (Restated)	2013 RM'000 (Restated)	2014 RM'000 (Restated)	2015 RM'000
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,051	(166)	(2,986)	9,346
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEARS	4,429	7,480	7,314	4,328
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEARS (Note 8.2.5 (k))	7,480	7,314	4,328	13,674

* During the FYE 30 June 2015, KTC Sdn Bhd acquired property, plant and equipment amounting to RM2,843,534 (2012: RM460,821, 2013: RM1,272,161 and 2014: RM393,326), of which RM1,788,000 (2012: RM Nil, 2013: RM198,000 and 2014: RM Nil) were acquired under hire purchase instalment plans. Cash payments of RM74,600 (2012: RM Nil, 2013: RM1,074,161 and 2014: RM Nil) were made towards the hire purchase.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd

(a) Revenue

Revenue represents invoiced value of goods sold, net of sales returns and trade discounts.

(b) Other Income

	←	FYE 30 June		→
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
	(Restated)	(Restated)	(Restated)	
Interest income				
- current account	19	#	53	41
- fixed deposits	71	125	37	1
Rental income	680	609	529	652
Gain on disposal of property, plant and equipment	4	343	126	920
Logistic income	174	229	244	68
Supply chain income	1,355	1,418	1,505	1,550
Management fee	240	360	360	360
Fair value adjustment on investment property	-	719	1,529	-
Others	-	-	-	1
	2,543	3,803	4,383	3,593

RM44

(c) Finance Costs

	←	FYE 30 June		→
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Interest expenses:-				
- bank overdraft	16	3	@	78
- bankers' acceptances	816	849	1,021	1,083
- hire purchase	11	2	11	81
- term loans	406	337	345	310
	1,249	1,191	1,377	1,552

@ RM205

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)
- 8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)
- 8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)
- (d) Profit before Taxation

Profit before taxation is arrived at:-

	← FYE 30 June →			
	2012 RM'000 (Restated)	2013 RM'000 (Restated)	2014 RM'000 (Restated)	2015 RM'000
After charging:-				
Auditors' remuneration:-				
- statutory	30	30	19	19
- non-statutory	^	30	-	-
Bad debts written off	43	-	-	-
Amortisation of leasehold land	132	107	108	209
Depreciation of property, plant and equipment	594	464	429	680
Directors' remuneration				
- fees	492	492	592	612
- incentive	-	-	-	51
Property, plant and equipment written off	2	#	@	-
Inventories written off	523	397	518	253
Operating leases				
- minimum lease payments for buildings	496	504	564	477
- minimum lease payments for equipment	120	137	130	151
Staff costs (Note 8.2.5(e))	4,634	4,844	5,021	4,943

^ RM500

RM587

@ RM378

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)

(e) Staff Costs

	←	FYE 30 June		→
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Salaries, wages, bonuses, incentives and allowances	4,136	4,309	4,454	4,362
EPF and social contribution	498	535	567	581
	4,634	4,844	5,021	4,943

Included in staff costs were
remuneration for the key management
personnel other than directors as follows:-

- salaries, bonuses, incentives and allowances	268	322	378	444
- EPF and social contribution	33	40	43	43
	301	362	421	487

Key management personnel comprises persons other than the directors of KTC Sdn Bhd, having authority and responsibility for planning, directing and controlling the activities of KTC Sdn Bhd either directly or indirectly.

(f) Income Tax Expense

	←	FYE 30 June		→
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
	(Restated)	(Restated)	(Restated)	
Income tax:-				
- current financial year	1,258	1,269	1,446	1,196
- under/(over)provision in prior financial years	18	-	(47)	(21)
- real property gain tax	-	-	-	100
	1,276	1,269	1,399	1,275
Deferred taxation (Note 8.2.5(r)):-				
- (reversal)/origination of temporary differences	(11)	(348)	47	-
- underprovision in prior financial year	(2)	-	-	111
	1,263	921	1,446	1,386

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)

(f) Income Tax Expense (Continued)

The income tax rate applicable to small and medium scale enterprises ("SME") incorporated in Malaysia with paid-up capital of RM2,500,000 and below is subject to the statutory tax rate of 20% on chargeable income up to RM500,000. For chargeable income in excess of RM500,000, statutory tax rate of 25% (2012, 2013 and 2014: 25%) is still applicable.

During the FYE 30 June 2015, KTC Sdn Bhd is not entitled for SME income tax rate as the issued and paid up share capital of KTC Holdings is more than RM2,500,000.

The reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of KTC Sdn Bhd is as follows:-

	←	FYE 30 June		→
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	4,359	5,130	6,619	4,936
Tax at statutory tax rate of 25%	1,000	1,283	1,655	1,234
Tax effects arising from:-				
- SME tax savings	(25)	(25)	(25)	-
- non-deductible expenses	272	133	246	192
- changes in tax rate	-	-	-	*
- non-taxable income	-	(470)	(383)	(230)
- under/(over)provision of income tax expense in prior financial years	18	-	(47)	(21)
- over/(under)provision of deferred tax in prior financial years	(2)	-	-	111
- real property gain tax	-	-	-	100
Tax expense for the financial years	1,263	921	1,446	1,386

* (RM306)

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)

(g) Property, Plant and Equipment

Cost/valuation	Leasehold lands		Buildings		Office equipment, furniture and fittings, computers and renovation		Motor vehicles		Capital work-in-progress		Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
	At cost/valuation		At cost		At cost		At cost		At cost		
At 1 July 2011	5,944	2,124			2,627	2,099	1,851				14,645
Additions	-	-			461	-	-				461
Disposals	-	-			(3)	(451)	-				(454)
Written off	-	-			(49)	-	-				(49)
At 30 June 2012	5,944	2,124			3,036	1,648	1,851				14,603
Additions	370	125			217	233	327				1,272
Disposals	-	-			(19)	(298)	-				(317)
Reclassification	-	(6)			6	-	-				-
Written off	-	-			(25)	-	-				(25)
Transferred to assets held for distribution (Note 8.2.5 (u))	(6,376)	(2,175)			-	-	-				(8,551)
Transferred from assets held for distribution (Note 8.2.5 (u))	6,376	2,175			-	-	-				8,551
At 30 June 2013	6,314	2,243			3,215	1,583	2,178				15,533

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)

(g) Property, Plant and Equipment (Continued)

Cost/valuation (Continued)	Leasehold lands		Buildings		Office equipment, furniture and fittings, computers and renovation		Motor vehicles		Capital work-in-progress		Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 July 2013	6,314	2,243	2,243	3,215	1,583	2,178	15,533				
Additions	-	-	-	393	-	-	393				
Disposals	-	-	-	-	(174)	-	(174)				
Written off	-	-	-	(6)	-	-	(6)				
Transferred to non-current assets held for sale (Note 8.2.5 (l))	-	-	-	-	-	(2,178)	(2,178)				
At 30 June 2014	6,314	2,243	2,243	3,602	1,409	-	13,568				
Additions	-	-	-	549	2,295	-	2,844				
Revaluation surplus (Note 8.2.5 (n))	9,674	3,206	3,206	-	-	-	12,880				
Disposals	-	-	-	(59)	(42)	-	(101)				
Transfer *	(1,218)	(430)	(430)	-	-	-	(1,648)				
At 30 June 2015	14,770	5,019	5,019	4,092	3,662	-	27,543				



13. ACCOUNTANTS' REPORT (Cont'd)**KIM TECK CHEONG CONSOLIDATED BERHAD**
Accountants' Report**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)****8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)****(g) Property, Plant and Equipment (Continued)**

	Leasehold lands		Buildings		Office equipment, furniture and fittings, computers and renovation		Motor vehicles		Capital work-in-progress		Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
	At cost/valuation		At cost		At cost		At cost		At cost		
At 1 July 2011	835	296			1,688	1,543	-	-	-	-	4,362
Amortisation/depreciation charge for the financial year	132	45			352	197	-	-	-	-	726
Disposals	-	-			(1)	(197)	-	-	-	-	(198)
Written off	-	-			(47)	-	-	-	-	-	(47)
At 30 June 2012	967	341			1,992	1,543	-	-	-	-	4,843



13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)

(g) Property, Plant and Equipment (Continued)

	Leasehold lands		Buildings		Office equipment, furniture and fittings, computers and renovation		Motor vehicles		Capital work-in-progress		Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
	At cost/valuation		At cost		At cost		At cost		At cost		
Accumulated amortisation/depreciation (Continued)											
At 30 June 2012	967	341	1,992	1,543	-	-	-	-	-	4,843	
Amortisation/depreciation charge for the financial year	107	38	346	80	-	-	-	-	-	571	
Disposals	-	-	(3)	(298)	-	-	-	-	-	(301)	
Reclassification	-	(*)	#	-	-	-	-	-	-	-	
Written off	-	-	(25)	-	-	-	-	-	-	(25)	
Transferred to assets held for distribution (Note 8.2.5(u))	(975)	(333)	-	-	-	-	-	-	-	(1,308)	
Transferred from assets held for distribution (Note 8.2.5(u))	975	333	-	-	-	-	-	-	-	1,308	
At 30 June 2013	1,074	379	2,310	1,325	-	-	-	-	-	5,088	

* (RM871)

RM871



BAKER TILLY

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)

(g) Property, Plant and Equipment (Continued)

Accumulated amortisation/depreciation (Continued)	Leasehold lands		Buildings		Office equipment, furniture and fittings, computers and renovation		Motor vehicles		Capital work-in-progress		Total	
	RM'000		RM'000		RM'000		RM'000		RM'000			RM'000
	At cost/valuation		At cost/valuation		At cost		At cost		At cost			
At 30 June 2013	1,074	379	379	2,310	1,325	-	-	-	-	5,088		
Amortisation/depreciation charge for the financial year	108	38	319	72	537	-	-	-	-	537		
Disposals	-	-	-	-	(173)	-	-	-	-	(173)		
Written off	-	-	(6)	-	-	-	-	-	-	(6)		
At 30 June 2014	1,182	417	417	2,623	1,224	-	-	-	-	5,446		
Amortisation/depreciation charge for the financial year	209	86	293	301	889	-	-	-	-	889		
Disposals	-	-	(59)	(5)	(64)	-	-	-	-	(64)		
Transfer *	(1,218)	(430)	-	-	-	-	-	-	-	(1,648)		
At 30 June 2015	173	73	73	2,857	1,520	-	-	-	-	4,623		



13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)

(g) Property, Plant and Equipment (Continued)

Net carrying amounts	Leasehold land		Buildings		Office equipment, furniture and fittings and computer and renovation		Motor vehicles		Capital work-in-progress		Total RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
	At cost/valuation										
At 30 June 2012	4,977	1,783	1,044	105	1,851	9,760					
At 30 June 2013	5,240	1,864	905	258	2,178	10,445					
At 30 June 2014	5,132	1,826	979	185	-	8,122					
At 30 June 2015	14,597	4,946	1,235	2,142	-	22,920					

* This transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued leasehold lands and buildings.



13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)

(g) Property, Plant and Equipment (Continued)

The leasehold lands have a lease period of 60 years expiring 31 December 2070 and 31 December 2072, respectively.

The motor vehicles with total net carrying amounts of RM1,635,696 (2012: RM Nil, 2013: RM221,458 and 2014: RM174,836) were acquired under hire purchase instalments plans.

As at 30 June 2012, certain leasehold land and building with total net carrying amount of RM2,104,435 was pledged to a licensed bank to secure credit facilities granted to KTC Sdn Bhd as disclosed in Note 8.2.5 (q).

As at 30 June 2013, capital work-in-progress with total net carrying amount RM2,178,000 (2012: RM1,851,300) had been pledged to a licensed bank to secure credit facilities granted to KTC Sdn Bhd as disclosed in Note 8.2.5 (q).

Certain leasehold land and buildings of KTC Sdn Bhd with total net carrying amounts of RM9,578,787 (2012: RM2,472,000, 2013: RM2,669,409 and 2014: RM2,612,817) has been pledged to licensed banks to secure credit facilities granted to its related company.

Fair value information

During the FYE 30 June 2015, the fair value of the leasehold land and buildings of KTC Sdn Bhd amounting to RM19,790,000 (2012, 2013 and 2014: RM Nil) carried at fair value is categorised at Level 3. In the previous financial year, the leasehold lands and buildings were carried at cost less accumulated amortisation/depreciation.

There are no Levels 1 and 2 leasehold land and buildings or transfer between Levels 1, 2 and 3 during the FYE 30 June 2015.

Reconciliation of fair value:

	30 June 2015
	RM'000
As at 1 July 2013 and 30 June 2014	-
Level 3 revaluation recognised due to change in accounting policy to revaluation model	12,880
As at 30 June 2015	<u>12,880</u>

Level 3 fair value

Level 3 fair value of leasehold land and buildings have been derived using the average of sales comparison approach and depreciated replacement cost approach.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.2 **Audited Financial Statements of KTC Sdn Bhd (Continued)**
- 8.2.5 **Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)**
- (g) **Property, Plant and Equipment (Continued)**

Fair value information (Continued)

Level 3 fair value (Continued)

Sales comparison approach

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

Depreciated replacement cost approach

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

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

Description	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Leasehold land and buildings	Sales comparison approach	<u>Leasehold land</u> Price per sqm in range of RM1,899 to RM1,992 (2012, 2013 and 2014: RM Nil)	The higher the price per sqm, the higher the fair value.
		<u>Buildings</u> Price per sqm in a range of RM1,154 to RM1,362 (2012, 2013 and 2014: RM Nil)	

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)
- 8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)
- 8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)
- (g) Property, Plant and Equipment (Continued)

Fair value information (Continued)

Level 3 fair value (Continued)

Description	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Leasehold land and buildings	Depreciated replacement cost approach	<u>Leasehold land</u> Price per sqm in a range of RM1,899 to RM1,992 (2012, 2013 and 2014: RM Nil)	The higher the price/cost per sqm, the higher the fair value.
		<u>Buildings</u> Reinstatement cost per sqm in a range of RM1,650 to RM1,800 (2012, 2013 and 2014: RM Nil) Allowance for age and depreciation in a range of 15% to 30% (2012, 2013 and 2014: Nil%)	The lower the depreciation rate, the higher the fair value.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer

Valuation processes applied by KTC Sdn Bhd

KTC Sdn Bhd's finance department includes a team that performs valuation analysis of leasehold land and buildings required for financial reporting purposes, including Level 3 fair values. This team reports directly to the associate director.

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

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)****8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)****(g) Property, Plant and Equipment (Continued)**

Had the revalued assets been carried at historical cost less accumulated amortisation/depreciation, the net carrying amount would have been as follows:-

	Cost RM'000	Accumulated amortisation/ depreciation RM'000	Net carrying amount RM'000
2014			
Leasehold land	6,314	(1,182)	5,132
Buildings	2,243	(417)	1,826
Net carrying amount	8,557	(1,599)	6,958
2015			
Leasehold land	6,314	(1,290)	5,024
Buildings	2,243	(455)	1,788
Net carrying amount	8,557	(1,745)	6,812

Highest and best use

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

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)

(h) Investment Property

	Leasehold land RM'000	Building RM'000	Total RM'000
At 1 July 2011			
As previously reported	-	3,860	3,860
Prior year adjustments (Note 8.2.5 (aa))	-	6,690	6,690
At 1 July 2011, as restated at fair value	-	10,550	10,550
Additions	3,525	5,256	8,781
Fair value adjustments (Note 8.2.5 (aa))	-	-	-
At 30 June 2012, as restated at fair value	3,525	15,806	19,331
Fair value adjustments (Note 8.2.5 (aa))	127	592	719
Transferred to assets held for distribution (Note 8.2.5 (u))	-	(10,550)	(10,550)
At 30 June 2013, as restated at fair value	3,652	5,848	9,500
Fair value adjustments (Note 8.2.5 (aa))	597	932	1,529
At 30 June 2014, as restated at fair value	4,249	6,780	11,029
Fair value adjustments (Note 8.2.5 (aa))	-	-	-
At 30 June 2015, at fair value	4,249	6,780	11,029

The investment property has a lease period of 60 years, expiring on 31 December 2034.

The investment property is pledged to a licensed bank to secure the banking facilities as disclosed in Note 8.2.5 (q).

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.2 **Audited Financial Statements of KTC Sdn Bhd (Continued)**
- 8.2.5 **Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)**
- (h) **Investment Property (Continued)**

Fair value information

During the FYE 30 June 2015, the fair value of the investment property of KTC Sdn Bhd amounting to RM11,029,000 (2012: RM19,331,150, 2013: RM9,500,000 and 2014: RM11,029,000) carried at fair value is categorised at Level 3. During the FYE 30 June 2012, 30 June 2013 and 30 June 2014, the investment property was carried at cost less accumulated amortisation/depreciation.

Fair value of investment property is categorised as in Level 3 of fair value hierarchy.

There are no Levels 1 and 2 investment property or transfer between Levels 1, 2 and 3 during the FYE 30 June 2015.

Reconciliation of fair value:

	30 June 2015
	RM'000
As at 1 July 2013	1,256
Level 3 fair value recognised due to change in accounting policy to fair value model	1,529
As at 30 June 2014 and 30 June 2015	<u>2,785</u>

Level 3 fair value

Level 3 fair value of investment property has been derived using the average of sales comparison approach and depreciated replacement cost approach.

Sales comparison approach

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

Depreciated replacement cost approach

The value of the land is derived using the sales comparison approach. The building and structure are assessed by the estimated cost of reinstating similar new building and an allowable depreciation is made and deducted based on the observed condition of the building. The most significant input into this valuation approach is price per sqm of reinstatement cost.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)

(h) Investment Property (Continued)

Fair value information (Continued)**Level 3 fair value (Continued)**

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

Description	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Leasehold land and building	Sales comparison approach	<u>Leasehold land</u> Price per sqm RM1,620 (2012, 2013 and 2014: RM Nil)	The higher the price per sqm, the higher the fair value.
		<u>Building</u> Price per sqm RM1,140 (2012, 2013 and 2014: RM Nil)	
Leasehold land and building	Depreciated replacement cost approach	<u>Leasehold land</u> Price per sqm RM1,620 (2012, 2013 and 2014: RM Nil)	The higher the price/cost per sqm, the higher the fair value.
		<u>Building</u> Reinstatement cost per sqm RM1800 (2012, 2013 and 2014: RM Nil) Allowance for age and depreciation 30% (2012, 2013 and 2014: Nil%)	

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)

(h) Investment Property (Continued)

Fair value information (Continued)**Valuation processes applied by KTC Sdn Bhd**

KTC Sdn Bhd's finance department includes a team that performs valuation analysis of leasehold land and building required for financial reporting purposes, including Level 3 fair values. This team reports directly to the associate director.

The fair value of investment property is determined by an accredited independent valuer who has valuation experience for similar properties. The valuation company provides the fair value of KTC Sdn Bhd's leasehold land and building portfolio every twelve months. Changes in Level 3 fair values are analysed by the team every twelve months after obtaining valuation report from valuation company.

Highest and best use

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

The following are recognised in the profit or loss in respect of investment properties:

	← FYE 30 June →			
	2012 RM'000 (Restated)	2013 RM'000 (Restated)	2014 RM'000 (Restated)	2015 RM'000
Rental income	680	609	416	421
Direct operating expenses:-				
- insurance	6	6	6	6
- finance costs	221	285	276	279
- quit rent and assessment	8	10	10	10

(i) Inventories

	← As at 30 June →			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
At cost:-				
Trading inventories	19,587	19,697	22,653	23,776

For the FYE 30 June 2015, the amount of inventories recognised as an expense in cost of sales was RM127,415,853 (2012: RM113,666,312, 2013: RM132,680,536 and 2014: RM133,822,494).

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)

(j) Trade and Other Receivables

	←	As at 30 June		→
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Trade receivables	17,245	23,461	21,520	11,943
Other receivables				
Other receivables	4,875	4,414	4,991	9,713
Deposits	182	342	136	228
Prepayments	316	226	243	459
	5,373	4,982	5,370	10,400
Amount due from immediate holding company	-	889	5,603	-
Amounts due from related companies	-	370	840	7,374
Amount due from ultimate holding company	-	-	2	-
Amounts due from companies in which the directors have interests	485	57	-	-
Total trade and other receivables	23,103	29,759	33,335	29,717
Add: Cash at bank (Note 8.2.5 (k))	5,423	5,228	3,729	16,351
Fixed deposits placed with a licensed (Note 8.2.5 (k))	2,057	2,086	599	-
Less: Prepayments	(316)	(226)	(243)	(459)
Total loans and receivables	30,267	36,847	37,420	45,609

(i) Trade receivables

KTC Sdn Bhd's normal trade credit term ranges from 30 days to 60 days (2012, 2013 and 2014: 30 days to 60 days). Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values at the initial recognition.

Included in trade receivables of KTC Sdn Bhd is an amount of RM2,048,782 (2012: RM Nil, 2013: RM1,126,155 and 2014: RM28,546) due from related companies.

As at 30 June 2012, included in trade receivables are amounts totalling to RM826,094 due from a company in which the directors have interests.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)
- 8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)
- 8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)
- (j) Trade and Other Receivables (Continued)
- (i) Trade receivables

The ageing analysis of trade receivables are as follows:-

	←	As at 30 June		→
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Neither past due nor impaired	16,376	19,807	18,051	9,512
Past due but not impaired:-				
1 to 30 days past due but not impaired	475	2,754	2,223	1,690
31 to 60 days past due but not impaired	178	719	649	385
61 to 90 days past due but not impaired	199	138	147	67
More than 90 days past due but not impaired	17	43	450	289
	869	3,654	3,469	2,431
	17,245	23,461	21,520	11,943

Receivables that are neither past due nor impaired

The directors of KTC Sdn Bhd are of the opinion that no impairment loss is necessary in respect of these not past due trade receivables as these trade receivables are within the trade credit terms.

Receivables that are past due but not impaired

The balances of trade receivables that are past due but not impaired, representing approximately 20.35% (2012: 5.04%, 2013: 15.57% and 2014: 16.12%) of KTC Sdn Bhd's trade receivables are unsecured in nature.

The management has a credit procedure in place to monitor and minimise the exposure of default. The directors of KTC Sdn Bhd are of the opinion that no impairment loss is necessary in respect of these past due trade receivables.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)

(j) Trade and Other Receivables (Continued)

(ii) Amounts due from holding companies

On 22 May 2013, upon the completion of the acquisition by KTC Holdings, KTC Sdn Bhd became a wholly-owned subsidiary company of KTC Holdings and the directors of KTC Sdn Bhd regard Kim Teck Cheong Capital Sdn. Bhd. ("KTC Capital") as the ultimate holding company.

The amount due from ultimate holding company had been fully settled subsequent to 30 June 2014. KTC Sdn Bhd has undertaken the declaration of a proposed dividend in which the payment of the said proposed dividend will be set off against the amount due from immediate holding company prior to the completion of the Acquisitions.

During the FYE 30 June 2015, KTC Sdn Bhd declared a dividend amounting to RM7,602,884 to set off against the amount due from immediate holding company.

The amounts due from holding companies are non-trade in nature, unsecured, interest-free and receivable upon demand.

(iii) Amounts due from related parties

The amounts due from related companies and companies in which the directors have interests are non-trade in nature, unsecured, interest-free and receivable upon demand.

(k) Cash and Cash Equivalents

Cash and cash equivalents comprise the following:-

	←	As at 30 June		→
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Cash at banks	5,423	5,228	3,729	16,351
Fixed deposits placed with a licensed bank	2,057	2,086	599	-
Less: Bank overdraft (Note 8.2.5 (q))	-	-	-	(2,677)
	7,480	7,314	4,328	13,674

During the FYE 30 June 2014, fixed deposits placed with a licensed bank had maturity dates ranging from 1 month to 9 months (2012 and 2013: 2 to 6 months), which bear interest rates ranging from 3.05% to 3.10% (2012: 3.10% and 2013: 2.90% to 3.10%) per annum.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)

(l) Non-Current Asset Held for Sale

	←	As at 30 June		→
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Non-current asset held for sale:-				
- at carrying amount	-	-	2,178	-

During the FYE 30 June 2014, non-current asset held for sale with total net carrying amounts RM2,178,000 had been pledged to licensed banks to secure credit facilities granted to KTC Sdn Bhd as disclosed in Note 8.2.5 (q).

KTC Sdn Bhd had on 2 July 2014 entered into a sale and purchase agreement with a third party for the disposal of a piece of land with a carrying amount of RM2,178,000 (2012 and 2013: RM Nil and 2014: RM2,178,000) for a total consideration of RM3,000,000 which the said disposal was completed during FYE 30 June 2015 following the fulfilment of the conditions precedent.

(m) Share Capital

	←	As at 30 June		→
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Ordinary shares of RM1.00 each:-				
Authorised:-				
At the beginning/end of financial years	1,000	1,000	1,000	1,000
Issued and fully paid-up:-				
At the beginning/end of financial years	600	600	600	600

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)

(n) Revaluation Reserve

	30 June 2015 RM'000
At the beginning of the financial year	-
Revaluation of leasehold land and buildings	
- gross (Note 8.2.5 (g))	12,880
- tax (Note 8.2.5 (r))	(644)
Amortisation and depreciation transfer	
- gross	(149)
- tax	7
At the end of the financial year	<u>12,094</u>

The revaluation reserve relates to the revaluation of leasehold land and buildings less amortisation/depreciation transfer to retained earnings.

(o) Retained Earnings

The entire retained earnings of KTC Sdn Bhd is available for distribution as single-tier dividends.

(p) Hire Purchase Payables

	← As at 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Future minimum hire purchase payments:-				
- not later than one year	-	35	35	347
- later than one year but not later than five years	-	138	138	1,372
- more than five years	-	63	29	335
	-	236	202	2,054
Less: Future finance charges		(42)	(31)	(329)
Present value of hire purchase payables	-	194	171	1,725

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)

(p) Hire Purchase Payables (Continued)

	←	As at 30 June		→
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Represented by:				
- not later than one year	-	23	25	247
- later than one year but not later than five years	-	111	118	1,155
- more than five years	-	60	28	323
	-	194	171	1,725

The hire purchase payables bear interest rates ranging from 3.20% to 3.30% (2012: Nil%, 2013 and 2014: 3.20%) per annum.

(q) Borrowings

	←	As at 30 June		→
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Short-term borrowings -secured				
Bankers' acceptances	19,687	20,929	21,342	20,293
Term loans	844	493	504	266
Short-term borrowings -unsecured				
Bankers' acceptances	8,181	8,971	8,848	4,008
Bank overdraft	-	-	-	2,677
	28,712	30,393	30,694	27,244
Long-term borrowings - secured				
Term loans	9,586	7,635	7,131	5,833
Total borrowings	38,298	38,028	37,825	33,077

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)

(q) Borrowings (Continued)

	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Comprising portion repayable:-				
- not later than one year	28,712	30,393	30,694	27,244
- later than one year but not later than two years	681	504	515	277
- later than two years but not later than five years	2,164	1,580	1,616	907
- more than five years	6,741	5,551	5,000	4,649
	<u>38,298</u>	<u>38,028</u>	<u>37,825</u>	<u>33,077</u>

The borrowings are secured by the following:-

- (i) Legal charge over certain property, plant and equipment and investment property of KTC Sdn Bhd as disclosed in Notes 8.2.5 (g), 8.2.5 (h) and 8.2.5 (l);
- (ii) Legal charge over a non-current asset held for sale as disclosed in Note 8.2.5 (l);
- (iii) Joint and several guarantees by certain directors of KTC Sdn Bhd;
- (iv) Corporate guarantee by a related company; and
- (v) Third party charge over landed properties of a company which the directors have interest.

The respective term loans are repayable in the following manner:-

- (i) 240 equal monthly instalments commencing October 2011; and
- (ii) 84 equal monthly instalments commencing January 2011.

The bankers' acceptances bear interests at rates ranging from 3.27% to 4.54% (2012 and 2013: 3.80% to 4.03% and 2014: 3.04% to 4.25%) per annum.

The bank overdraft bears interest at rates ranging from BFR*+1.0% to BLR#+1.5% (2012, 2013 and 2014: Nil%) per annum.

The term loans bear interest at a floating rate of 4.5% (2012 and 2013: 4.4% and 2014: 4.4%) per annum.

Subsequent to 30 June 2015, the third party charge over landed properties of a company which the directors have interests have been uplifted by substitution of corporate guarantees provided by KTC Consolidated.

* Base Financing Rate ("BFR")

Base Lending Rate ("BLR")

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)

(f) Deferred Tax Liabilities

	← As at 30 June →			
	2012 RM'000 (Restated)	2013 RM'000 (Restated)	2014 RM'000 (Restated)	2015 RM'000
At the beginning of the financial years				
- As previously reported	202	171	112	69
- Prior year adjustments (Note 8.2.5 (aa))	334	352	63	153
At beginning of the year, as restated	536	523	175	222
Recognised in profit or loss (Note 8.2.5 (f))	(13)	(348)	47	111
Recognised in other comprehensive income	-	-	-	644
At the end of the financial years, as restated	523	175	222	977

The components and movements of deferred tax liabilities during FYE 30 June 2015 are as follows:-

	Temporary differences between tax written down values and the corresponding net carrying amount RM'000	Revaluation of property, plant and equipment and investment property RM'000	Total RM'000
At 1 July 2011			
- As previously reported	202	-	202
- Prior year adjustments (Note 8.2.5 (aa))	-	334	334
At 1 July 2011, restated	202	334	536
Recognised in profit or loss (Note 8.2.5 (f))	(31)	18	(13)
At 30 June 2012	171	352	523

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)
- 8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)
- 8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)
- (r) Deferred Tax Liabilities (Continued)

	Temporary differences between tax written down values and the corresponding net carrying amount RM'000	Revaluation of property, plant and equipment and investment property RM'000	Total RM'000
At 1 July 2012			
- As previously reported	171	-	171
- Prior year adjustments (Note 8.2.5 (aa))	-	352	352
At 1 July 2012, restated	171	352	523
Recognised in profit or loss (Note 8.2.5 (f))	(59)	(289)	(348)
At 30 June 2013	112	63	175
At 1 July 2013			
- As previously reported	112	-	112
- Prior year adjustments (Note 8.2.5 (aa))	-	63	63
At 1 July 2013, restated	112	63	175
Recognised in profit or loss (Note 8.2.5 (f))	(43)	90	47
At 30 June 2014	69	153	222
At 1 July 2014			
- As previously reported	69	-	69
- Prior year adjustments (Note 8.2.5 (aa))	-	153	153
At 1 July 2014, restated	69	153	222
Recognised in profit or loss (Note 8.2.5 (f))	111	-	111
Recognised in other comprehensive income	-	644	644
At 30 June 2015	180	797	977

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)

(s) Trade and Other Payables

	←	As at 30 June		→
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Trade payables	9,138	10,879	10,191	21,431
Other payables				
Other payables	#	35	-	3,555
Deposits	1,171	897	1,011	1,124
Accruals	230	378	629	447
	1,401	1,310	1,640	5,126
Amount due to a related company	-	-	118	2,046
Total trade and other payables	<u>10,539</u>	<u>12,189</u>	<u>11,949</u>	<u>28,603</u>
Add:-				
Hire purchase payables (Note 8.2.5 (p))	-	194	171	1,725
Borrowings (Note 8.2.5 (q))	38,298	38,028	37,825	33,077
Total other financial liabilities carried at amortised cost	<u>48,837</u>	<u>50,411</u>	<u>49,945</u>	<u>63,405</u>

RM100

(i) Trade payables

The normal trade credit terms granted to KTC Sdn Bhd ranges from 30 days to 90 days (2012, 2013 and 2014: 30 days to 90 days).

Included in trade payables of KTC Sdn Bhd are amounts totalling of RM2,636,872 (2012: RM Nil, 2013: RM295,996 and 2014: RM1,066,013) due to related companies.

As at 30 June 2012, included in trade payables of KTC Sdn Bhd is an amount of RM172,919 due to a company in which the directors have interests.

(ii) Amount due to a related companies

The amount due to a related companies is non-trade in nature, unsecured, interest-free and repayable on demand.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)

(t) Significant Related Party Disclosures

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with KTC Sdn Bhd or that has an interest in KTC Sdn Bhd that gives it significant influence over KTC Sdn Bhd's financial and operating policies. It also included members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in KTC Sdn Bhd resides with, directly or indirectly.

The nature of the relationships with the related parties are as follows:-

Name of related parties	Nature of relationship
KTC Capital	Ultimate holding company
KTC Holdings	Immediate holding company
KTC Tawau	A related company*
AMDA Marketing	A related company*
KTC Brands	A related company^
Creamos Malaysia	A related company#
KTC Sarawak	A related company@
KTC Distribution	A related company
LKS Assets Sdn. Bhd. (formerly known as Kim Teck Cheong Properties Sdn. Bhd.) ("LKS Assets")	A company in which certain directors have interests

* On 22 May 2013, KTC Tawau and AMDA Marketing became wholly-owned subsidiary companies of KTC Holdings. Prior to this date, the relationship between KTC Sdn Bhd and its related parties were that of companies in which the directors have interests.

^ On 18 March 2013, KTC Brands became a wholly-owned subsidiary company of KTC Holdings. Prior to this date, KTC Brands was not related to any related parties.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)

(t) Significant Related Party Disclosures (Continued)

On 23 May 2014, Creamos Malaysia became a wholly-owned subsidiary company of KTC Holdings. Prior to this date, the relationship between KTC Sdn Bhd and Creamos Malaysia was that of companies in which the directors have interests.

@ On 16 December 2013, KTC Sarawak became a subsidiary company of KTC Holdings. Prior to this date, KTC Sarawak was not related to any related parties.

Other than disclosed elsewhere in the financial statements, the significant related party transactions between KTC Sdn Bhd and its related parties during the financial years under review were as follows:-

	←	FYE 30 June		→
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Sales to:-				
- KTC Tawau	13,676	15,166	14,902	15,700
- KTC Sarawak	-	-	19	-
- Creamos Malaysia	-	-	35	2
- KTC Distribution	-	-	-	4,886
Purchases from:-				
- KTC Tawau	1,592	1,625	1,379	1,652
- KTC Brands	-	-	6,462	-
- KTC Distribution	-	-	-	521
Interest income charged to:-				
- KTC Sarawak	-	-	2	37
- KTC Distribution	-	-	-	37
Rental income received from:-				
- Creamos Malaysia	-	42	84	84
- AMDA Marketing	300	300	290	290
Supply chain income received from:-				
- AMDA Marketing	1,355	1,418	1,505	1,550
Management fee received from:-				
- AMDA Marketing	240	360	360	360
Rental paid to:-				
- KTC Distribution	336	336	306	-
Proceeds from the disposal of a motor vehicle to:-				
- LKS Assets	231	-	-	-

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)

(u) Dividend on Ordinary Shares

	← FYE 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Dividend:				
- Special dividend-in-specie by the distribution of specific assets in the form of the properties, declared on 15 March 2013 and paid on 28 March 2013 for the FYE 30 June 2013: RM35.70 per share	-	21,420	-	-
Single-tier interim dividend of approximately 1,267.15% per ordinary share of RM1.00 each in respect of the FYE 30 June 2015, paid on 29 June 2015	-	-	-	7,603

Subsequent to the declaration of the special dividend-in-specie, KTC Sdn Bhd and its shareholders then had on 30 June 2013 mutually agreed to partially cancel the special dividend-in-specie and reinstate some of the properties with a market value of RM12,900,000 to KTC Sdn Bhd with no consideration.

The above dividend was distributed in the form of properties as disclosed below.

	As at FYE 30 June 2013 RM'000
Leasehold land and building (Note 8.2.5 (g))	7,244
Investment property (Note 8.2.5 (h))	3,772
Fair value adjustment	12,434
Less : Borrowings	(2,030)
	21,420
Distributed as special dividend-in-specie during the FYE 30 June 2013	(8,520)
Cancellation of dividend:	
- reversal of fair value adjustment	(5,656)
- transfer back to leasehold land and building (Note 8.2.5 (g))	(7,244)
	-

Assets held for distribution is charged to a licensed bank to secure banking facilities granted to KTC Sdn Bhd as stated in Note 8.2.5 (q).

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)

(v) Commitments

(a) Operating lease commitments – as lessee

KTC Sdn Bhd has entered into commercial leases on certain buildings and equipment. These lease have tenure of one to five years with renewal option. These leases have no contingent rent provision included in the contracts or other restrictions.

Minimum lease payments recognised in other comprehensive income for the FYE 30 June 2015 amounted to RM627,131 (2012: RM589,581, 2013: RM641,015 and 2014: RM693,155).

(b) Operating lease commitments – as lessor

KTC Sdn Bhd has entered into a non-cancellable commercial property lease on its investment property. The lease has a remaining lease term of two years.

Future minimum rentals receivables under the non-cancellable operating lease at the reporting date are as follows:

	←	As at 30 June		→
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Not later than one year	46	49	382	416
Later than one year but not later than five years	7	59	4	8
	<u>53</u>	<u>108</u>	<u>386</u>	<u>424</u>

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)

(w) Financial Guarantees

	←	As at 30 June		→
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Bank guarantees granted to suppliers for supply of goods to KTC Sdn Bhd	4,470	4,470	4,570	5,020
Bank guarantees granted to suppliers of a related company	-	-	-	7,300
Corporate guarantees for the banking facilities granted to a related company	35,000	35,000	35,000	63,623
	39,470	39,470	39,570	75,943

(x) Financial Instruments

(i) Financial risk management and objectives

KTC Sdn Bhd is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, and interest rate risk.

The directors of KTC Sdn Bhd review and agree policies and procedures for the management of these risks.

The following sections provide details regarding KTC Sdn Bhd's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. KTC Sdn Bhd's exposure to credit risk arises primarily from trade and other receivables and amounts due from related parties.

KTC Sdn Bhd's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. KTC Sdn Bhd trades only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that KTC Sdn Bhd's exposure to bad debts is not significant.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)

(x) Financial Instruments (Continued)

(i) Financial risk management and objectives (Continued)

Exposure to credit risk

As at 30 June 2015, KTC Sdn Bhd's maximum exposure to the credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 8.2.5 (j).

Receivables that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 8.2.5 (j).

Receivables that are past due but not impaired

Information regarding trade receivables that are past due but not impaired is disclosed in Note 8.2.5 (j).

Credit risk concentration profile

As at 30 June 2015, KTC Sdn Bhd has a significant concentration of credit risk in the form of a major trade receivable, representing approximately 14.2% (2012, 2013 and 2014: Nil) of KTC Sdn Bhd's total trade receivables.

(b) Liquidity risk

Liquidity risk is the risk that KTC Sdn Bhd will encounter difficulty in meeting financial obligations due to shortage of funds. KTC Sdn Bhd's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

As at 30 June 2015, approximately 79% (2012: 75%, 2013: 80% and 2014: 81%) of KTC Sdn Bhd's loan and borrowings, as disclosed in Notes 8.2.5 (p) and 8.2.5 (q), will mature in less than one year based on the carrying amounts reflected in the statements of financial position.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.2 **Audited Financial Statements of KTC Sdn Bhd (Continued)**
- 8.2.5 **Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)**
- (x) **Financial Instruments (Continued)**
- (i) **Financial risk management and objectives (Continued)**
- (b) **Liquidity risk (Continued)**

Analysis of financial instruments by remaining contractual maturities

The table below summaries the maturity profile of KTC Sdn Bhd's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
As at 30 June 2012				
Trade and other payables	10,539	-	-	10,539
Borrowings	29,147	4,257	8,732	42,136
Total undiscounted financial liabilities	39,686	4,257	8,732	52,675
As at 30 June 2013				
Trade and other payables	12,189	-	-	12,189
Hire purchase payables	35	138	63	236
Borrowings	30,393	2,084	5,551	38,028
Total undiscounted financial liabilities	42,617	2,222	5,614	50,453
As at 30 June 2014				
Trade and other payables	11,949	-	-	11,949
Hire purchase payables	35	138	29	202
Borrowings	31,022	3,216	6,539	40,777
Total undiscounted financial liabilities	43,006	3,354	6,568	52,928

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)
- 8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)
- 8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)
- (x) Financial Instruments (Continued)

(i) Financial risk management and objectives (Continued)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities
(Continued)

	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
As at 30 June 2015				
Trade and other payables	28,603	-	-	28,603
Hire purchase payables	347	1,372	335	2,054
Borrowings	27,509	2,121	5,967	35,597
Total undiscounted financial liabilities	56,459	3,493	6,302	66,254

(c) Interest rate risk

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

KTC Sdn Bhd's exposure to interest rate risk arises primarily from its loans and borrowings and fixed deposits placed with the financial institution. Most of KTC Sdn Bhd's loans and borrowings are charged a fixed interest rate plus or minus the financial institutions' base lending rate or cost of fund per annum. The fixed interest rate is reviewed annually. Whilst, the base lending rate and cost of fund used by the financial institutions vary according to the rates set by the respective financial institutions. Meanwhile, interest rates charged on hire purchase are fixed at the inception of the hire purchase arrangements. For interest income from cash deposits, KTC Sdn Bhd managed the interest rate risks by placing cash deposits with reputable financial institutions with varying maturities and interest rate terms.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.2 **Audited Financial Statements of KTC Sdn Bhd (Continued)**
- 8.2.5 **Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)**
- (x) **Financial Instruments (Continued)**
- (i) **Financial risk management and objectives (Continued)**
- (c) **Interest rate risk (Continued)**

Interest rate risk sensitivity

The table below demonstrates the sensitivity to a reasonable possible change in interest rates with all other variables held constant, of KTC Sdn Bhd's profit after taxation:-

	Carrying amount RM'000	Movement in basis point	Effects on profit after taxation RM'000
FYE 30 June 2012			
Fixed deposits placed with a licensed bank	2,057	50	8
Borrowings	38,298	50	(144)
			<u>(136)</u>
FYE 30 June 2013			
Fixed deposits placed with a licensed bank	2,086	50	8
Borrowings	38,028	50	(143)
			<u>(135)</u>
FYE 30 June 2014			
Fixed deposits placed with a licensed bank	599	50	2
Borrowings	37,825	50	(142)
			<u>(140)</u>
FYE 30 June 2015			
Borrowings	33,077	50	<u>(124)</u>

The profit after taxation will be higher/lower when the interest rates decrease/increase.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.2 **Audited Financial Statements of KTC Sdn Bhd (Continued)**
- 8.2.5 **Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)**
- (x) **Financial Instruments (Continued)**

(ii) **Fair value measurement**(a) **Recognised financial instruments**

The carrying amounts of financial assets and financial liabilities of KTC Sdn Bhd reasonably approximate their fair values due to the relatively short term nature of these financial instruments except as set out below:-

	← As at 30 June →							
	2012		2013		2014		2015	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	RM	RM	RM	RM	RM	RM	RM	RM
Hire purchase payables	-	-	194	206	171	176	1,725	1,847

The fair value of hire purchase payables are categorised as Level 2.

There have been no transfers between Levels 1, 2 and 3 during the FYE 30 June 2015 (2012, 2013 and 2014: no transfer in either directions).

KTC Sdn Bhd does not have any financial assets or financial liabilities measured at Level 1 and 3 hierarchy.

There were no unrecognised financial instruments as at 30 June 2012, 30 June 2013, 30 June 2014 and 30 June 2015 that are required to be disclosed.

(y) **Capital Management**

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

KTC Sdn Bhd manages its capital structure, and make adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, KTC Sdn Bhd may adjust dividend payment to shareholders, return capital to shareholders or issue new shares, raise new debts and reduce existing debts.

KTC Sdn Bhd monitors the level of dividends to be paid to shareholders. KTC Sdn Bhd's objective are to pay out regular dividends to the shareholders based on the level of KTC Sdn Bhd's profitability and cash flows.

KTC Sdn Bhd monitors capital using a gearing ratio, which is net debts divided by total capital plus net debts. Net debts comprise total borrowings and trade and other payables, less cash at banks and fixed deposits placed with a licensed bank whilst total capital is the shareholders' funds of KTC Sdn Bhd.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)

(y) Capital Management (Continued)

The gearing ratio is as follows:-

	←	As at 30 June		→
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Net debts				
Trade and other payables	10,539	12,189	11,949	28,603
Loans and borrowings	38,298	38,222	37,996	34,802
Less: Cash and cash equivalents	(7,480)	(7,314)	(4,328)	(16,351)
	41,357	43,097	45,617	47,054
Capital:				
Equity attributable to owner(s) of KTC Sdn Bhd	30,504	26,193	31,366	39,550
Capital and net debts	71,861	69,290	76,983	86,604
Gearing ratio	58%	62%	59%	54%

There were no changes in KTC Sdn Bhd's approach to capital management during the financial years under review.

KTC Sdn Bhd is not subject to externally imposed capital requirements.

(z) Significant Event Subsequent to the End of the Reporting Period

On 1 July 2015, KTC Consolidated acquired the entire equity interests of KTC Sdn Bhd from KTC Holdings for a total consideration of RM36,768,480 via the issuance of 222,605,350 Shares and 14,507,945 RCPS. As a result, KTC Consolidated becomes the immediate holding company and KTC Holdings becomes the penultimate holding company.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.2 Audited Financial Statements of KTC Sdn Bhd (Continued)

8.2.5 Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)

(aa) Change in Accounting Policy and Prior Year Adjustments

During the FYE 30 June 2015, KTC Sdn Bhd changed its accounting policy for investment property to be stated at fair value. Gain and losses arising from changes in fair value of investment property are included in the profit or loss in the financial year in which they arise. In accordance to MFRS 108: *Accounting Policies, Changes in Accounting Estimates and Errors*, this change in accounting policy have been applied retrospectively and the opening balances in the statements of financial position as at 1 July 2011, 1 July 2012, 1 July 2013 and 1 July 2014 and statements of profit or loss and other comprehensive income for the FYE 30 June 2012, FYE 30 June 2013, and FYE 30 June 2014 have been restated as below:-

	As Previously Reported RM'000	Effects of Change in Accounting Policy RM'000	As Restated RM'000
As at 1 July 2011			
<u>Statement of Financial Position</u>			
Investment property	3,860	6,690	10,550
Deferred tax liabilities	202	334	536
Retained earnings	20,452	6,356	26,808
As at 1 July 2012			
<u>Statement of Financial Position</u>			
Investment property	12,285	7,046	19,331
Deferred tax liabilities	171	352	523
Retained earnings	23,210	6,694	29,904
As at 1 July 2013			
<u>Statement of Financial Position</u>			
Investment property	8,243	1,257	9,500
Deferred tax liabilities	112	63	175
Retained earnings	24,399	1,194	25,593
As at 1 July 2014			
<u>Statement of Financial Position</u>			
Investment property	7,974	3,055	11,029
Deferred tax liabilities	69	153	222
Retained earnings	27,864	2,902	30,766

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.2 **Audited Financial Statements of KTC Sdn Bhd (Continued)**
- 8.2.5 **Notes to the Audited Financial Statements of KTC Sdn Bhd (Continued)**
- (aa) **Change in Accounting Policy and Prior Year Adjustments (Continued)**

	As Previously Reported RM'000	Effects of Change in Accounting Policy RM'000	As Restated RM'000
FYE 30 June 2012			
<u>Statement of Profit or Loss</u>			
Administrative expenses	(4,127)	356	(3,771)
Tax expense	(1,245)	(18)	(1,263)
FYE 30 June 2013			
<u>Statement of Profit or Loss</u>			
Net fair value adjustment on assets held for distribution	6,778	(6,778)	-
Other income	3,084	719	3,803
Administrative expenses	(4,165)	269	(3,896)
Tax expense	(1,210)	289	(921)
FYE 30 June 2014			
<u>Statement of Profit or Loss</u>			
Other income	2,854	1,529	4,383
Administrative expenses	(3,891)	269	(3,622)
Tax expense	(1,356)	(90)	(1,446)

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of AMDA Marketing

8.3.1 Audited Statements of Profit or Loss and Other Comprehensive Income of AMDA Marketing

The audited statements of profit or loss and other comprehensive income of AMDA Marketing for FYE 30 June 2012, FYE 30 June 2013, FYE 30 June 2014 and FYE 30 June 2015 are as follows:-

	Note	← FYE 30 June →			
		2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Revenue	8.3.5 (a)	50,102	52,299	54,806	50,772
Cost of sales		(43,425)	(45,481)	(47,777)	(43,905)
Gross profit		<u>6,677</u>	<u>6,818</u>	<u>7,029</u>	<u>6,867</u>
Other income		188	91	85	27
Administrative expenses		(1,800)	(2,038)	(1,769)	(1,691)
Selling and distribution expenses		(3,849)	(3,863)	(4,058)	(4,154)
Other operating expenses		(228)	(165)	(102)	(125)
Operating profit		<u>988</u>	<u>843</u>	<u>1,185</u>	<u>924</u>
Finance costs	8.3.5 (b)	(640)	(600)	(613)	(791)
Profit before taxation	8.3.5 (c)	<u>348</u>	<u>243</u>	<u>572</u>	<u>133</u>
Income tax expense	8.3.5 (e)	(52)	(59)	(147)	(87)
Net profit for the financial years, representing total comprehensive income for the financial years		<u>296</u>	<u>184</u>	<u>425</u>	<u>46</u>
<i>Gross profit margin (%)</i>		<i>13.33</i>	<i>13.04</i>	<i>12.83</i>	<i>13.53</i>
<i>Profit before tax margin (%)</i>		<i>0.69</i>	<i>0.46</i>	<i>1.04</i>	<i>0.26</i>
<i>Effective tax rate (%)</i>		<i>14.94</i>	<i>24.28</i>	<i>25.70</i>	<i>65.41</i>
<i>Weighted average number of ordinary shares in issue ('000)</i>		<i>1,000</i>	<i>1,000</i>	<i>1,000</i>	<i>1,000</i>
<i>Gross EPS (RM)</i>		<i>0.35</i>	<i>0.24</i>	<i>0.57</i>	<i>0.13</i>
<i>Net EPS (RM)</i>		<i>0.30</i>	<i>0.18</i>	<i>0.43</i>	<i>0.05</i>

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of AMDA Marketing (Continued)

8.3.2 Audited Statements of Financial Position of AMDA Marketing

The audited statements of financial position of AMDA Marketing as at 30 June 2012, 30 June 2013, 30 June 2014 and 30 June 2015 are as follows:-

	←	As at 30 June			→
	2012	2013	2014	2015	
Note	RM'000	RM'000	RM'000	RM'000	RM'000
Non-current asset					
Property, plant and equipment	8.3.5 (f)	522	466	370	369
Current assets					
Inventories	8.3.5 (g)	5,459	6,128	5,734	8,529
Trade and other receivables	8.3.5 (h)	8,965	8,805	11,093	15,076
Tax recoverable		90	149	66	151
Fixed deposits placed with a licensed bank	8.3.5 (i)	2,800	2,847	1,826	-
Cash at banks	8.3.5 (i)	2,446	2,323	2,971	22
Total current assets		19,760	20,252	21,690	23,778
TOTAL ASSETS		20,282	20,718	22,060	24,147
EQUITY AND LIABILITIES					
Equity attributable to owner(s) of AMDA Marketing					
Share capital	8.3.5 (j)	1,000	1,000	1,000	1,000
Retained earnings	8.3.5 (k)	3,058	3,242	3,667	3,088
Total equity		4,058	4,242	4,667	4,088

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of AMDA Marketing (Continued)

8.3.2 Audited Statements of Financial Position of AMDA Marketing (Continued)

	←	As at 30 June		→
	2012	2013	2014	2015
Note	RM'000	RM'000	RM'000	RM'000
Non-current liability				
Deferred tax liabilities	8.3.5 (l)	63	60	42
Current liabilities				
Trade and other payables	8.3.5 (m)	745	795	447
Borrowings	8.3.5 (n)	15,416	15,621	16,904
Total current liabilities		16,161	16,416	17,351
Total liabilities		16,224	16,476	17,393
TOTAL EQUITY AND LIABILITIES		20,282	20,718	22,060
<i>Number of ordinary shares</i>				
<i>in issue of RM1.00 each ('000)</i>		1,000	1,000	1,000
<i>NTA (RM'000)</i>		4,058	4,242	4,667
<i>NTA per ordinary share (RM)</i>		4.06	4.24	4.67
<i>NA (RM'000)</i>		4,058	4,242	4,667
<i>NA per ordinary share (RM)</i>		4.06	4.24	4.67

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of AMDA Marketing (Continued)

8.3.3 Audited Statements of Changes in Equity of AMDA Marketing

The audited statements of changes in equity of AMDA Marketing for the FYE 30 June 2012, FYE 30 June 2013, FYE 30 June 2014 and FYE 30 June 2015 are as follows:-

	Share Capital RM'000	<u>Distributable</u> Retained Earnings RM'000	Total Equity RM'000
Balance at 1 July 2011	1,000	2,762	3,762
Total comprehensive income for the financial year	-	296	296
Balance at 30 June 2012	1,000	3,058	4,058
Total comprehensive income for the financial year	-	184	184
Balance at 30 June 2013	1,000	3,242	4,242
Total comprehensive income for the financial year	-	425	425
Balance at 30 June 2014	1,000	3,667	4,667
Total comprehensive income for the financial year	-	46	46
Transaction with owner:			
Dividend on ordinary shares (Note 8.3.5 (p))	-	(625)	(625)
Balance at 30 June 2015	1,000	3,088	4,088

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of AMDA Marketing (Continued)

8.3.4 Audited Statements of Cash Flows of AMDA Marketing

The audited statements of cash flows of AMDA Marketing for FYE 30 June 2012, FYE 30 June 2013, FYE 30 June 2014 and FYE 30 June 2015 are as follows:-

	← FYE 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	348	243	572	133
Adjustments for:				
Depreciation of property, plant and equipment	202	120	118	116
Interest income	(119)	(92)	(75)	(27)
Interest expenses	640	600	613	791
Gain on disposal of property, plant and equipment	(68)	#	-	-
Property, plant and equipment written off	*	1	^	&
Inventories written off	228	165	102	125
Bad debt written off	-	2	-	-
Operating profit before working capital changes	1,231	1,039	1,330	1,138
Changes in Working Capital				
Inventories	(854)	(834)	292	(2,920)
Receivables	812	(89)	(1,041)	(974)
Payables	(472)	26	(2)	5,135
Cash generated from operations	717	142	579	2,379
Interests received	119	92	75	27
Interests paid	-	-	-	(104)
Income tax paid	(123)	(147)	(124)	(167)
Income tax refunded	256	26	42	-
Net Operating Cash Flows	969	113	572	2,135

* RM247

(RM16)

^ RM514

& RM229

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of AMDA Marketing (Continued)

8.3.4 Audited Statements of Cash Flows of AMDA Marketing (Continued)

	← FYE 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(326)	(67)	(22)	(115)
Proceeds from disposal of plant and equipment	295	2	-	-
Net Investing Cash Flows	(31)	(65)	(22)	(115)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interests paid	(640)	(600)	(613)	(687)
Net change in amounts due from/to companies in which the directors have interests	(299)	(161)	-	-
Net change in amount due from immediate holding company (Note 8.3.5 (h)(b))	-	-	(626)	-
Net change in amount due from/to related companies	-	432	(967)	(3,558)
Repayment of hire purchase payables	(205)	-	-	-
Drawdown of bankers' acceptance	48,854	58,183	50,490	45,121
Repayment of bankers' acceptance	(48,909)	(57,978)	(49,207)	(50,291)
Net Financing Cash Flows	(1,199)	(124)	(923)	(9,415)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(261)	(76)	(373)	(7,395)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEARS	5,507	5,246	5,170	4,797
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEARS (Note 8.3.5 (i))	5,246	5,170	4,797	(2,598)
ANALYSIS OF CASH AND CASH EQUIVALENTS				
Fixed deposits with licensed banks (Note 8.3.5 (i))	2,800	2,847	1,826	-
Bank balances	2,446	2,323	2,971	22
Less: Bank overdraft (Note 8.3.5 (n))	-	-	-	(2,620)
	5,246	5,170	4,797	(2,598)

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of AMDA Marketing (Continued)

8.3.5 Notes to the Audited Financial Statements of AMDA Marketing

(a) Revenue

Revenue represents invoiced value of goods sold, net of sales returns and trade discounts.

(b) Finance Costs

	← FYE 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Interest expenses:-				
- bank commissions	132	112	117	143
- hire purchase	11	-	-	-
- bankers' acceptance	497	488	496	544
- bank overdraft	-	-	-	104
	640	600	613	791

(c) Profit before Taxation

Profit before taxation is arrived at:-

	← FYE 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
After charging:-				
Auditors' remuneration:-				
- statutory	22	25	17	17
- non-statutory	-	25	-	-
Bad debts written off	-	2	-	-
Depreciation of property, plant and equipment	202	120	118	116
Directors' remuneration				
- salaries and bonus	199	277	312	377
- fee	156	156	156	156
- EPF and social contribution	7	34	38	38
Inventories written off	228	165	102	125
Property, plant and equipment written off	*	1	^	#
Rental expenses	300	313	290	290
Staff costs (Note 8.3.5(d))	1,440	1,814	2,273	2,363

* RM247

^ RM514

RM229

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of AMDA Marketing (Continued)

8.3.5 Notes to the Audited Financial Statements of AMDA Marketing

(c) Profit before Taxation (Continued)

	← FYE 30 June →			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
And crediting:-				
Fixed deposit interest income	119	92	75	17
Gain on disposal of property, plant and equipment	68	#	-	-

RM16

(d) Staff Costs

	← FYE 30 June →			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Salaries and allowances	1,240	1,625	2,023	2,113
EPF and social contribution	200	189	250	250
	1,440	1,814	2,273	2,363

Included in staff costs were remuneration for key management personnel other than directors as follows:-

- salaries, allowances and bonuses	94	113	150	110
- EPF and social contribution	12	14	17	12
	106	127	167	122

Key management personnel comprises persons other than the directors of AMDA Marketing, having authority and responsibility for planning, directing and controlling the activities of AMDA Marketing either directly or indirectly.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of AMDA Marketing (Continued)

8.3.5 Notes to the Audited Financial Statements of AMDA Marketing (Continued)

(e) Income Tax Expense

	← FYE 30 June →			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Income tax:-				
- current financial year	64	62	134	49
- (over)/under provision in prior financial years	(34)	*	31	33
	30	62	165	82
Deferred taxation (Note 8.3.5 (l)):-				
- relating to changes in tax rate	-	-	-	(2)
- origination of temporary differences	22	6	-	(3)
- overprovision in prior financial years	-	(9)	(18)	10
	52	59	147	87

* (RM358)

The income tax rate applicable to SME incorporated in Malaysia with paid-up capital of RM2,500,000 and below is subject to the statutory rate of 20% on chargeable income of up to RM500,000. For chargeable income in excess of RM500,000, statutory tax rate of 25% (2012, 2013 and 2014: 25%) is still applicable.

During the FYE 30 June 2015, AMDA Marketing is not entitled for SME income tax rate as the issued and paid-up share capital of KTC Holdings is more than RM2,500,000.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of AMDA Marketing (Continued)

8.3.5 Notes to the Audited Financial Statements of AMDA Marketing (Continued)

(e) Income Tax Expense (Continued)

The reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of AMDA Marketing is as follows:-

	← FYE 30 June →			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Profit before taxation	348	243	572	133
Tax at statutory tax rate of 25% (2012, 2013 and 2014: 25%)	87	61	143	33
Tax effects arising from:-				
- SME tax savings	(17)	(16)	(25)	-
- non-deductible expenses	30	23	19	15
- non-taxable income	(14)	-	(3)	(2)
- (over)/underprovision income tax expenses in prior financial years	(34)	#	31	33
- reduction in deferred tax resulting from reduction in tax rate	-	-	-	^
- changes in tax rate	-	-	-	(2)
- (Over)/underprovision of deferred tax in prior financial years	-	(9)	(18)	10
Tax expense for the financial years	52	59	147	87

(RM358)

^ RM53

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of AMDA Marketing (Continued)

8.3.5 Notes to the Audited Financial Statements of AMDA Marketing (Continued)

(f) Property, Plant and Equipment

Cost	Office equipment RM'000	Computers RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
At 1 July 2011	146	385	285	791	78	1,685
Additions	3	15	209	79	20	326
Disposals	-	(3)	-	(606)	-	(609)
Written off	(1)	-	#	-	-	(1)
At 30 June 2012	148	397	494	264	98	1,401
Additions	5	52	10	-	-	67
Disposals	-	-	-	(3)	-	(3)
Written off	-	(19)	-	-	-	(19)
At 30 June 2013	153	430	504	261	98	1,446

(RM15)



13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of AMDA Marketing (Continued)

8.3.5 Notes to the Audited Financial Statements of AMDA Marketing (Continued)

(f) Property, Plant and Equipment (Continued)

	Office equipment RM'000	Computers RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
Cost (Continued)						
At 30 June 2013	153	430	504	261	98	1,446
Additions	-	22	-	-	-	22
Written off	&	(1)	(2)	-	-	(3)
At 30 June 2014	153	451	502	261	98	1,465
Additions	-	-	1	114	-	115
Written off	-	-	(1)	-	-	(1)
At 30 June 2015	153	451	502	375	98	1,579

& (RM425)



13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of AMDA Marketing (Continued)

8.3.5 Notes to the Audited Financial Statements of AMDA Marketing (Continued)

(i) Property, Plant and Equipment (Continued)

	Office equipment RM'000	Computers RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
Accumulated depreciation						
At 1 July 2011	95	355	161	407	41	1,059
Depreciation charge for the financial year	20	18	42	114	8	202
Disposal	-	(3)	-	(379)	-	(382)
Written off	*	-	#	-	-	([^])
At 30 June 2012	115	370	203	142	49	879
Depreciation charge for the financial year	13	16	50	31	10	120
Disposal	-	-	-	(1)	-	(1)
Written off	-	(18)	-	-	-	(18)
At 30 June 2013	128	368	253	172	59	980

* (RM561)

(RM7)

^ (RM568)



13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of AMDA Marketing (Continued)

8.3.5 Notes to the Audited Financial Statements of AMDA Marketing (Continued)

(f) Property, Plant and Equipment (Continued)

	Office equipment RM'000	Computers RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
Accumulated depreciation (Continued)						
At 30 June 2013	128	368	253	172	59	980
Depreciation charge for the financial year	8	21	48	31	10	118
Written off	%	(1)	(2)	-	-	(3)
At 30 June 2014	136	388	299	203	69	1,095
Depreciation charge for the financial year	6	19	41	40	10	116
Written off	-	-	(1)	-	-	(1)
At 30 June 2015	142	407	339	243	79	1,210
% (RM3/4)						



13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of AMDA Marketing (Continued)

8.3.5 Notes to the Audited Financial Statements of AMDA Marketing (Continued)

(f) Property, Plant and Equipment (Continued)

	Office equipment RM'000	Computers RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
Net carrying amounts						
At 30 June 2012	33	27	291	122	49	522
At 30 June 2013	25	62	251	89	39	466
At 30 June 2014	17	63	203	58	29	370
At 30 June 2015	11	44	163	132	19	369



13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of AMDA Marketing (Continued)

8.3.5 Notes to the Audited Financial Statements of AMDA Marketing (Continued)

(g) Inventories

	← As at 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
At cost:				
Trading inventories	5,459	6,128	5,734	8,529

For the FYE 30 June 2015, the amount of inventories recognised as an expense in cost of sales of AMDA Marketing was RM44,030,130 (2012: RM43,424,701, 2013: RM45,481,091 and 2014: RM47,878,468).

(h) Trade and Other Receivables

	← As at 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Trade receivables	6,796	6,566	8,119	7,809
Other receivables				
Other receivables	1,807	2,055	1,531	2,862
Deposits	11	89	78	77
Prepayments	104	95	118	72
	1,922	2,239	1,727	3,011
Amount due from immediate holding company	-	-	626	-
Amount due from related companies	-	-	621	4,256
Amount due from a company which the directors have interests	247	-	-	-
Total trade and other receivables	8,965	8,805	11,093	15,076
Add: Cash at banks (Note 8.3.5(i))	2,446	2,323	2,971	22
Fixed deposits placed with a licensed bank (Note 8.3.5.(i))	2,800	2,847	1,826	-
Less: Prepayments	(104)	(95)	(118)	(72)
Total loans and receivables	14,107	13,880	15,772	15,026

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.3 **Audited Financial Statements of AMDA Marketing (Continued)**
- 8.3.5 **Notes to the Audited Financial Statements of AMDA Marketing (Continued)**
- (h) **Trade and Other Receivables (Continued)**
- (i) **Trade receivables**

AMDA Marketing's normal trade credit term ranges from 30 days to 60 days (2012, 2013 and 2014: 30 days to 60 days). Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values at the initial recognition.

The ageing analysis of trade receivables are as follow:-

	← As at 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Neither past due nor impaired	6,212	6,065	6,740	6,134
Past due but not impaired:-				
1 to 30 days past due but not impaired	508	220	845	1,164
31 to 60 days past due but not impaired	43	132	281	167
61 to 90 days past due but not impaired	10	43	112	43
More than 90 days past due not impaired	23	106	141	301
	584	501	1,379	1,675
	6,796	6,566	8,119	7,809

Receivables that are neither past due nor impaired

The directors of AMDA Marketing are of the opinion that no impairment loss is necessary in respect of these not past due trade receivables as these trade receivables are within the credit term.

Receivables that are past due but not impaired

The balances of trade receivables that are past due but not impaired, representing approximately 21.44% (2012: 8.58%, 2013: 7.64% and 2014: 16.98%) of AMDA Marketing's trade receivables are unsecured in nature.

The management has a credit procedure in place to monitor and minimise the exposure of default. The directors of AMDA Marketing are of the opinion that no impairment loss is necessary in respect of these past due trade receivables.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of AMDA Marketing (Continued)

8.3.5 Notes to the Audited Financial Statements of AMDA Marketing (Continued)

(h) Trade and Other Receivables (Continued)

(ii) Amount due from immediate holding company

Following the completion of the acquisition by KTC Holdings on 22 May 2013, AMDA Marketing became a wholly-owned subsidiary company of KTC Holdings and the directors of AMDA Marketing regard KTC Capital as the ultimate holding company.

AMDA Marketing declared a dividend of RM625,762 to set off against the amount due from immediate holding company.

The amount due from immediate holding company was non-trade in nature, unsecured, interest-free and receivable upon demand.

(iii) Amounts due from related companies

The amounts due from related companies are non-trade in nature, unsecured, interest-free and receivable upon demand.

(iv) Amount due from a company in which the directors have interests

The amount due from a company in which the directors have interests is non-trade in nature, unsecured, interest-free and receivable upon demand.

(i) Cash and Cash Equivalents

Cash and cash equivalents comprise the following:-

	←	As at 30 June		→
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Cash at banks	2,446	2,323	2,971	22
Fixed deposits placed with a licensed bank	2,800	2,847	1,826	-
Less: Bank overdraft (Note 8.3.5 (n))	-	-	-	(2,620)
	5,246	5,170	4,797	(2,598)

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of AMDA Marketing (Continued)

8.3.5 Notes to the Audited Financial Statements of AMDA Marketing (Continued)

(i) Cash and Cash Equivalents (Continued)

Fixed deposits placed with a licensed bank have maturity periods of Nil (2012: 2 to 6 months, 2013: 4 to 6 months and 2014: 2 to 6 months), which bear effective interest at rates ranging from Nil% (2012: 3.20%, 2013: 3.10% and 2014: 3.05% to 3.10%) per annum.

(j) Share Capital

	← As at 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Ordinary shares of RM1.00 each:-				
Authorised:-				
At the beginning/end of the financial years	1,000	1,000	1,000	1,000
Issued and fully paid-up:-				
At the beginning/end of the financial years	1,000	1,000	1,000	1,000

(k) Retained Earnings

The entire retained earnings of AMDA Marketing is available for distribution as single-tier dividends.

(l) Deferred Tax Liabilities

	← As at 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
At the beginning of the financial years	41	63	60	42
Recognised in profit or loss (Note 8.3.5(e))	22	(3)	(18)	5
At the end of the financial years	63	60	42	47

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of AMDA Marketing (Continued)

8.3.5 Notes to the Audited Financial Statements of AMDA Marketing (Continued)

(l) Deferred Tax Liabilities (Continued)

Deferred tax liabilities comprise the temporary differences between the net carrying amounts and the corresponding tax written down values of property, plant and equipment.

(m) Trade and Other Payables

	← As at 30 June →			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Trade payables	5	-	-	4,937
Other payables				
Other payables	28	88	65	4
Deposits	232	250	279	436
Accruals	72	25	17	118
	332	363	361	558
Amounts due to related companies	-	432	86	163
Amounts due to companies in which the directors have interests	408	-	-	-
Total trade and other payables	745	795	447	5,658
Add: Borrowing (Note 8.2.5 (n))	15,416	15,621	16,904	14,354
Total other financial liabilities carried at amortised cost	16,161	16,416	17,351	20,012

(i) Trade payables

The normal trade credit term granted to AMDA Marketing is 30 days (2012, 2013 and 2014: 30 days).

(ii) Amounts due to related companies

The amount due to related companies are non-trade in nature, unsecured, interest-free and repayable on demand.

(iv) Amounts due to companies in which the directors have interests

The amounts due to companies in which the directors have interests were non-trade in nature, unsecured, interest-free and payable upon demand.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of AMDA Marketing (Continued)

8.3.5 Notes to the Audited Financial Statements of AMDA Marketing (Continued)

(n) Borrowings

	← As at 30 June →			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Short-term borrowings - secured				
Bankers' acceptances	4,695	4,744	8,798	4,136
Bank overdrafts	-	-	-	963
	4,695	4,744	8,798	5,099
Short-term borrowings - unsecured				
Bankers' acceptances	10,721	10,877	8,106	7,598
Bank overdrafts	-	-	-	1,657
Total borrowings	15,416	15,621	16,904	14,354

The borrowings are secured by the following:-

- (a) Joint and several guarantees by certain directors of AMDA Marketing;
- (b) Corporate guarantee by KTC Sdn Bhd; and
- (c) A third-party charge over land together with industrial building of KTC Sdn Bhd.

The bankers' acceptances bear interest at the rate ranging from 3.96% to 4.45% (2012: 3.90%. 2013: 3.75% to 4.01% and 2014: 3.85% to 4.16%) per annum.

The bank overdraft bears interest at rate of 8.35% (2012, 2013 and 2014: Nil%) per annum.

(o) Significant Related Party Disclosures

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with AMDA Marketing or that has an interest in AMDA Marketing that gives it significant influence over AMDA Marketing's financial and operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in AMDA Marketing resides with, directly or indirectly.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of AMDA Marketing (Continued)

8.3.5 Notes to the Audited Financial Statements of AMDA Marketing (Continued)

(o) Significant Related Party Disclosures (Continued)

The nature of relationships with the related parties are as follows:-

Name of related parties	Nature of relationship
KTC Capital	Ultimate holding company
KTC Holdings	Immediate holding company
KTC Sdn Bhd	A related company *
KTC Tawau	A related company *
LKS Assets	A company in which certain directors have interests
Creamos Malaysia	A related company [#]

* On 22 May 2013, AMDA Marketing became a wholly-owned subsidiary company of KTC Holdings. Prior to this date, the relationship between AMDA Marketing and its related parties were that of companies in which the directors have interest.

On 23 May 2014, Creamos Malaysia became a wholly-owned subsidiary company of KTC Holdings. Prior to this date, the relationship between AMDA Marketing and Creamos Malaysia was that of company in which the directors have interests.

Other than disclosed elsewhere in the financial statements, the significant related party transactions during the financial years under review between AMDA Marketing and its related parties were as follows:-

	← FYE 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Management fee paid to:-				
- KTC Sdn Bhd	240	360	360	360
Rental expenses paid to:-				
- KTC Sdn Bhd	300	300	290	290
Supply chain fees paid to:-				
- KTC Sdn Bhd	1,355	1,418	1,505	1,550
- KTC Tawau	392	391	409	384
Proceeds from the disposal of a motor vehicle to:-				
- LKS Assets	197	-	-	-

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.3 Audited Financial Statements of AMDA Marketing (Continued)

8.3.5 Notes to the Audited Financial Statements of AMDA Marketing (Continued)

(p) Dividend On Ordinary Shares

	2015 RM'000
Single-tier interim dividend of approximately 62.58% per ordinary share of RM1.00 each in respect of FYE 30 June 2015, paid on 29 June 2015	625

(q) Financial Guarantees

	← FYE 30 June →			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Corporate guarantees for the banking facilities granted to KTC Sdn Bhd	12,250	12,250	12,250	12,250

(r) Financial Instruments

(i) Financial risk management and objectives

AMDA Marketing is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk.

The directors of AMDA Marketing review and agree policies and procedures for the management of these risks.

The following sections provide details regarding AMDA Marketing's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. AMDA Marketing's exposure to credit risk arises primarily from trade and other receivables.

AMDA Marketing's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. AMDA Marketing trades only with recognised and creditworthy third parties. Receivables balances are monitored on an ongoing basis with the result that AMDA Marketing's exposure to bad debts is not significant.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



- 8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.3 **Audited Financial Statements of AMDA Marketing (Continued)**
- 8.3.5 **Notes to the Audited Financial Statements of AMDA Marketing (Continued)**
- (r) **Financial Instruments (Continued)**
- (i) **Financial risk management and objectives (Continued)**

- (b) **Credit risk (Continued)**

- Exposure to credit risk

- As at 30 June 2015, AMDA Marketing's maximum exposure to the credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

- Information regarding credit enhancements for trade and other receivables is disclosed in Note 8.3.5 (h).

- Receivables that are neither past due nor impaired

- Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 8.3.5 (h).

- Receivables that are past due but not impaired

- Information regarding trade receivables that are past due but not impaired is disclosed in Note 8.3.5 (h).

- Credit risk concentration profile

- As at 30 June 2015, there was no significant concentration of credit risk in AMDA Marketing.

- Cash and bank balances

- The management adopts the policy of dealing only with reputable financial institutions.

- (b) **Liquidity risk**

- Liquidity risk is the risk that AMDA Marketing will encounter difficulty in meeting financial obligations due to shortage of funds. AMDA Marketing's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

- As at 30 June 2015, all (2012, 2013 and 2014: all) of AMDA Marketing's loans and borrowings, as disclosed in Note 8.3.5 (n), will mature in less than one year based on the carrying amounts reflected in the statement of financial position.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.3 **Audited Financial Statements of AMDA Marketing (Continued)**
- 8.3.5 **Notes to the Audited Financial Statements of AMDA Marketing (Continued)**
- (r) **Financial Instruments (Continued)**
- (i) **Financial risk management and objectives (Continued)**
- (b) **Liquidity risk (Continued)**

Analysis of financial instruments by remaining contractual maturities

The table below summaries the maturity profile of AMDA Marketing's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	On demand or within one year RM'000
As at 30 June 2012	
Trade and other payables	745
Borrowing	15,416
Total undiscounted financial liabilities	<u>16,161</u>
As at 30 June 2013	
Trade and other payables	795
Borrowing	15,621
Total undiscounted financial liabilities	<u>16,416</u>
As at 30 June 2014	
Trade and other payables	447
Borrowing	16,904
Total undiscounted financial liabilities	<u>17,351</u>
As at 30 June 2015	
Trade and other payables	5,658
Borrowings	14,354
Total undiscounted financial liabilities	<u>20,012</u>

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.3 **Audited Financial Statements of AMDA Marketing (Continued)**
- 8.3.5 **Notes to the Audited Financial Statements of AMDA Marketing (Continued)**
- (r) **Financial Instruments (Continued)**
- (i) **Financial risk management and objectives (Continued)**
- (c) **Interest rate risk**

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

AMDA Marketing's exposure to interest rate risk arises primarily from its loans and borrowings and fixed deposits placed with a licensed bank. Most of AMDA Marketing's borrowings are charged a fixed interest rate plus or minus the financial institutions' base lending rate or cost of fund per annum. The fixed interest rate is reviewed annually. Whilst, the base lending rate or cost of fund used by the financial institutions vary according to the rates set by the respective financial institutions. For interest income from cash deposits, AMDA Marketing managed the interest rate risks by placing cash deposits with reputable financial institutions with varying maturities and interest rate terms.

Interest rate risk sensitivity

The table below demonstrates the sensitivity to a reasonable possible change in interest rates with all other variables held constant, of AMDA Marketing's profit after taxation:-

	Carrying amount RM'000	Movement in basis point	Effects on profit after taxation RM'000
FYE 30 June 2012			
Fixed deposits placed with a licensed bank	2,800	50	14
Borrowing	15,416	50	(77)
			(63)
FYE 30 June 2013			
Fixed deposits placed with a licensed bank	2,847	50	14
Borrowing	15,621	50	(78)
			(64)

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.3 **Audited Financial Statements of AMDA Marketing (Continued)**
- 8.3.5 **Notes to the Audited Financial Statements of AMDA Marketing (Continued)**
- (r) **Financial Instruments (Continued)**
- (i) **Financial risk management and objectives (Continued)**
- (c) **Interest rate risk (Continued)**

Interest rate risk sensitivity (Continued)

	Carrying amount RM'000	Movement in basis point	Effects on profit after taxation RM'000
FYE 30 June 2014			
Fixed deposits placed with a licensed bank	1,826	50	9
Borrowing	16,904	50	(85)
			<u>(75)</u>
FYE 30 June 2015			
Borrowings	14,354	50	(72)
			<u>(72)</u>

The profit after taxation will be higher/lower when the interest rates decrease/increase.

(ii) **Fair Value Measurement**

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate to their fair values due to the relatively short term nature of these financial instruments.

There have been no transfers between Levels 1, 2 and 3 during the FYE 30 June 2015 (2012, 2013 and 2014: no transfer in either directions).

AMDA Marketing does not have any financial assets or financial liabilities measured at Levels 1, 2 and 3 hierarchy.

There were no unrecognised financial instruments as at 30 June 2012, 30 June 2013, 30 June 2014 and 30 June 2015 that are required to be disclosed.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.3 **Audited Financial Statements of AMDA Marketing (Continued)**
- 8.3.5 **Notes to the Audited Financial Statements of AMDA Marketing (Continued)**
- (s) **Capital Management**

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

AMDA Marketing manages its capital structure, and makes adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, AMDA Marketing may adjust dividend payment to shareholders, return capital to shareholders or issue new shares, raise new debts and reduce existing debts.

AMDA Marketing monitors the level of dividends to be paid to shareholders. AMDA Marketing's objective is to pay out regular dividends to the shareholders based on the level of AMDA Marketing's profitability and cash flows.

AMDA Marketing monitors capital using a gearing ratio, which is net debts divided by total capital plus net debts. Net debts comprise total borrowings and trade and other payables, less cash at banks and fixed deposits placed with a licensed bank whilst total capital is the shareholders' funds of AMDA Marketing.

The gearing ratio is as follows:-

	← As at 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Net debts				
Borrowings	15,416	15,621	16,904	14,354
Trade and other payables	745	795	447	5,658
Less : Cash at banks	(2,446)	(2,323)	(2,971)	(22)
Fixed deposits placed with a licensed bank	(2,800)	(2,847)	(1,826)	-
	10,915	11,246	12,554	19,990
Capital				
Equity attributable to the owner(s) of AMDA Marketing	4,058	4,242	4,667	4,088
Capital and net debts	14,973	15,488	17,221	24,078
Gearing ratio	73%	73%	73%	83%

There were no changes in AMDA Marketing's approach to capital management during the financial years under review.

AMDA Marketing is not subject to externally imposed capital requirements.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



- 8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.3 **Audited Financial Statements of AMDA Marketing (Continued)**
- 8.3.5 **Notes to the Audited Financial Statements of AMDA Marketing (Continued)**
- (t) **Significant Event Subsequent to the End of the Reporting Period**

On 1 July 2015, KTC Consolidated acquired the entire equity interest of AMDA Marketing from KTC Holdings for a total consideration of RM4,041,409 via the issuance of 24,467,680 Shares and 1,594,641 RCPS. As a result, KTC Consolidated becomes the immediate holding company and KTC Holdings becomes the penultimate holding company.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of KTC Tawau

8.4.1 Audited Statements of Profit or Loss and Other Comprehensive Income of KTC Tawau

The audited statements of profit or loss and other comprehensive income of KTC Tawau for the FYE 30 June 2012, FYE 30 June 2013, FYE 30 June 2014 and FYE 30 June 2015 are as follows:-

	Note	← FYE 30 June →			
		2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Revenue	8.4.5 (a)	27,026	28,920	30,063	30,046
Cost of sales		(23,865)	(25,313)	(26,528)	(26,613)
Gross profit		<u>3,161</u>	<u>3,607</u>	<u>3,535</u>	<u>3,433</u>
Other income					
- net fair value adjustment of assets held for distribution		-	312	-	-
- others		422	474	435	438
Administrative expenses		(1,032)	(950)	(693)	(752)
Selling and distribution expenses		(1,664)	(1,694)	(1,652)	(1,699)
Other operating expenses		(174)	(103)	(116)	(51)
Operating profit		<u>713</u>	<u>1,646</u>	<u>1,509</u>	<u>1,369</u>
Finance costs	8.4.5 (b)	(185)	(182)	(167)	(249)
Profit before taxation	8.4.5 (c)	<u>528</u>	<u>1,464</u>	<u>1,342</u>	<u>1,120</u>
Income tax expense	8.4.5 (e)	(120)	(318)	(111)	(385)
Net profit for the financial years		<u>408</u>	<u>1,146</u>	<u>1,231</u>	<u>735</u>
Other comprehensive income, net of taxation					
Revaluation of property, plant and equipment		-	-	-	3,320
Total comprehensive income for the financial years		<u>408</u>	<u>1,146</u>	<u>1,231</u>	<u>4,055</u>
<i>Gross profit margin (%)</i>		<i>11.70</i>	<i>12.47</i>	<i>11.76</i>	<i>11.43</i>
<i>Profit before tax margin (%)</i>		<i>1.95</i>	<i>5.06</i>	<i>4.46</i>	<i>3.73</i>
<i>Effective tax rate (%)</i>		<i>22.73</i>	<i>21.72</i>	<i>8.27</i>	<i>34.38</i>
<i>Weighted average number of ordinary shares in issue ('000)</i>		<i>500</i>	<i>500</i>	<i>500</i>	<i>500</i>
<i>Gross EPS (RM)</i>		<i>1.06</i>	<i>2.93</i>	<i>2.68</i>	<i>2.24</i>
<i>Net EPS (RM)</i>		<i>0.82</i>	<i>2.29</i>	<i>2.46</i>	<i>1.47</i>

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of KTC Tawau (Continued)

8.4.2 Audited Statements of Financial Position of KTC Tawau

The audited statements of financial position of KTC Tawau as at 30 June 2012, 30 June 2013, 30 June 2014 and 30 June 2015 are as follows:-

	Note	← As at 30 June →			
		2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
ASSETS					
Non-current asset					
Property, plant and equipment	8.4.5 (f)	3,425	3,076	2,991	6,436
Current assets					
Inventories	8.4.5 (g)	4,398	4,200	4,691	5,095
Trade and other receivables	8.4.5 (h)	4,638	4,664	4,801	9,877
Cash and bank balances	8.4.5 (i)	1,968	1,175	2,254	669
Total current assets		<u>11,004</u>	<u>10,039</u>	<u>11,746</u>	<u>15,641</u>
TOTAL ASSETS		<u>14,429</u>	<u>13,115</u>	<u>14,737</u>	<u>22,077</u>
EQUITY AND LIABILITIES					
Equity attributable to owner(s) of KTC Tawau					
Share capital	8.4.5 (j)	500	500	500	500
Revaluation reserve	8.4.5 (k)	-	-	-	3,297
Retained earnings	8.4.5 (l)	5,356	5,952	7,183	7,942
Total equity		<u>5,856</u>	<u>6,452</u>	<u>7,683</u>	<u>11,739</u>

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of KTC Tawau (Continued)

8.4.2 Audited Statements of Financial Position of KTC Tawau (Continued)

	Note	← As at 30 June →			
		2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Non-current liabilities					
Borrowings	8.4.5 (m)	194	-	-	-
Deferred tax liabilities	8.4.5 (n)	236	41	37	207
Total non-current liabilities		430	41	37	207
Current liabilities					
Trade and other payables	8.4.5 (o)	5,351	2,768	1,144	4,210
Borrowings	8.4.5 (m)	2,755	3,685	5,819	5,907
Current tax liabilities		37	169	54	14
Total current liabilities		8,143	6,622	7,017	10,131
Total liabilities		8,573	6,663	7,054	10,338
TOTAL EQUITY AND LIABILITIES		14,429	13,115	14,737	22,077
<i>Number of ordinary shares</i>					
<i>in issue of RM1.00 each ('000)</i>		500	500	500	500
<i>NTA (RM'000)</i>		5,856	6,452	7,683	11,739
<i>NTA per ordinary share (RM)</i>		11.71	12.90	15.37	23.48
<i>NA (RM'000)</i>		5,856	6,452	7,683	11,739
<i>NA per ordinary share (RM)</i>		11.71	12.90	15.37	23.48

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of KTC Tawau (Continued)

8.4.3 Audited Statements of Changes in Equity of KTC Tawau

The audited statements of changes in equity of KTC Tawau for the FYE 30 June 2012, FYE 30 June 2013, FYE 30 June 2014 and FYE 30 June 2015 are as follows:-

	Note	Share Capital RM'000	<u>Non- Distributable</u> Revaluation Reserve RM'000 (Note 8.4.5 (k))	<u>Distributable</u> Retained Earnings RM'000	Total Equity RM'000
Balance at 1 July 2011		500	-	4,948	5,448
Total comprehensive income for the financial year		-	-	408	408
Balance at 30 June 2012		500	-	5,356	5,856
Total comprehensive income for the financial year		-	-	1,146	1,146
Transactions with owners					
Dividends on ordinary shares	8.4.5 (q)	-	-	(4,750)	(4,750)
Partial cancellation of dividends	8.4.5 (q)	-	-	4,200	4,200
Balance at 30 June 2013		500	-	5,952	6,452
Total comprehensive income for the financial year		-	-	1,231	1,231
Balance at 30 June 2014		500	-	7,183	7,683
Total comprehensive income for the financial year		-	3,321	735	4,056
Amortisation and depreciation transfer for leasehold lands and buildings		-	(24)	24	-
Balance at 30 June 2015		500	3,297	7,942	11,739

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of KTC Tawau (Continued)

8.4.4 Audited Statements of Cash Flows of KTC Tawau

The audited statements of cash flows of KTC Tawau for FYE 30 June 2012, FYE 30 June 2013, 30 June 2014 and 30 June 2015 are as follows:-

	← FYE 30 June →			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	528	1,464	1,342	1,120
Adjustments for:				
Amortisation of leasehold lands	8	8	8	28
Depreciation of property, plant and equipment	135	104	84	94
Interest income	(12)	(41)	(24)	(21)
Interest expenses	185	182	167	249
Bad debts written off	45	1	-	-
Gain on disposal of property, plant and equipment	*	-	-	(33)
Impairment loss on trade receivable	-	-	-	4
Property, plant and equipment written off	26	-	-	13
Inventories written off	104	102	116	35
Net fair value adjustment of assets held for distribution	-	(312)	-	-
Operating profit before working capital changes	1,019	1,508	1,693	1,489
Changes in working capital				
Inventories	673	96	(607)	(439)
Receivables	(269)	(7)	(61)	(3,085)
Payables	(510)	(191)	(1,624)	3,066
Cash generated from/(used in) operations	913	1,406	(599)	1,031
Interests received	12	41	24	21
Interests paid	(20)	-	-	(27)
Income tax paid	(58)	(381)	(313)	(429)
Income tax refunded	-	-	83	-
Net Operating Cash Flows	847	1,066	(805)	596

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of KTC Tawau (Continued)

8.4.4 Audited Statements of Cash Flows of KTC Tawau (Continued)

	← FYE 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(69)	(1)	(7)	(85)
Proceeds from disposal of property, plant and equipment	#	-	-	33
Net Investing Cash Flows	(69)	(1)	(7)	(52)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net change in amounts due from related companies	-	(75)	(76)	(1,994)
Net change in amounts due from companies in which the directors have interests	45	55	-	-
Net change in amounts due to directors	107	(2,392)	-	-
Drawdown of bankers' acceptances	937	28,635	23,346	21,073
Repayment of bankers' acceptances	(1,875)	(27,658)	(21,212)	(22,250)
Repayment of term loan	(44)	(241)	-	-
Interests paid	(165)	(182)	(167)	(222)
Net Financing Cash Flows	(995)	(1,858)	1,891	(3,393)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(217)	(793)	1,079	(2,849)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEARS	2,185	1,968	1,175	2,254
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEARS (Note 8.4.5 (i))	1,968	1,175	2,254	(595)

* (RM499)

RM500

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of KTC Tawau (Continued)

8.4.5 Notes to the Audited Financial Statements of KTC Tawau

(a) Revenue

Revenue represents invoiced value of goods sold, net of sales returns and trade discounts.

(b) Finance Costs

	← FYE 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Interest expenses:-				
- bank overdraft	20	1	-	27
- bankers' acceptances	140	175	167	222
- term loan	25	6	-	-
	185	182	167	249

(c) Profit Before Taxation

Profit before taxation is arrived at:-

	← FYE 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
After charging:-				
Auditors' remuneration:-				
- statutory audit				
- current financial year	13	7	8	8
- overprovision in prior year	-	(1)	-	-
- non-statutory audit	-	7	-	-
Impairment loss on trade receivable	-	-	-	4
Amortisation of leasehold lands	8	8	8	28
Bad debts written off	45	1	-	-
Depreciation of property, plant and equipment	135	104	84	94
Directors' remuneration				
- salaries	360	306	180	195
- bonuses	60	36	8	15
- EPF	80	59	22	22
Inventories written off	104	102	116	35
Property, plant and equipment written off	26	-	-	13
Rental expenses	6	-	7	25
Staff costs (Note 8.4.5 (d))	1,030	1,011	985	964

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of KTC Tawau (Continued)

8.4.5 Notes to the Audited Financial Statements of KTC Tawau (Continued)

(c) Profit Before Taxation (Continued)

	← FYE 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
And crediting:-				
Rental income	17	13	-	-
Gain on disposal of property, plant and equipment	*	-	-	33
Interest income	12	41	24	21

* RM499

(d) Staff Costs

	← FYE 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Salaries, bonuses, incentives and allowances	899	824	861	855
EPF and social contribution	131	187	124	109
	1,030	1,011	985	964

No key management personnel remuneration is disclosed as there were no key management personnel other than the directors of KTC Tawau.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.4 **Audited Financial Statements of KTC Tawau (Continued)**
- 8.4.5 **Notes to the Audited Financial Statements of KTC Tawau (Continued)**
- (e) **Income Tax Expense**

	← FYE 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Income tax:-				
- current financial year	48	500	344	323
- under/(over) provision in prior financial year	-	13	(229)	67
	48	513	115	390
Deferred taxation (Note 8.4.5(n))				
- origination/(reversal) of temporary differences	72	(140)	(4)	(3)
- overprovision in prior financial year	-	(55)	-	*
- relating to changes in tax rate	-	-	-	(2)
	72	(195)	(4)	(5)
	120	318	111	385

* (RM326)

The income tax rate applicable to SME incorporated in Malaysia with paid-up capital of RM2,500,000 and below is subject to the statutory rate of 20% on chargeable income up to RM500,000. For chargeable income in excess of RM500,000, statutory tax rate of 25% (2012, 2013 and 2014: 25%) is still applicable.

During the FYE 30 June 2015, KTC Tawau is not entitled for SME income tax rate as the issued and paid-up share capital of KTC Holdings is more than RM2,500,000.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of KTC Tawau (Continued)

8.4.5 Notes to the Audited Financial Statements of KTC Tawau (Continued)

(e) Income Tax Expense (Continued)

The reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of KTC Tawau is as follows:-

	← FYE 30 June →			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Profit before taxation	528	1,464	1,342	1,120
Tax at statutory tax rate of 25% (2012, 2013 and 2014: 25%)	132	366	336	280
Tax effects arising from:-				
- SME tax savings	(25)	(25)	(25)	-
- non-deductible expenses	13	97	29	40
- reduction in deferred tax resulting from reduction in tax rate	-	-	-	#
- changes in tax rate	-	-	-	(2)
- non-taxable income	-	(78)	-	-
- overprovision of deferred tax in prior year	-	(55)	-	-
- under/(over) provision of income tax expenses in prior financial year	-	13	(229)	67
- overprovision of deferred tax in prior financial year	-	-	-	*
Tax expense for the financial years	120	318	111	385

RM113

* (RM326)

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of KTC Tawau (Continued)

8.4.5 Notes to the Audited Financial Statements of KTC Tawau (Continued)

(f) Property, Plant and Equipment

Cost/valuation	Leasehold land	Industrial buildings	Building	Motor vehicles	Office equipment, furniture and fittings	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2011	811	2,512	255	555	494	4,627
Additions	-	-	-	-	69	69
Disposal	-	-	-	(23)	-	(23)
Written off	-	-	-	-	(57)	(57)
At 30 June 2012	811	2,512	255	532	506	4,616
Additions	-	-	-	-	1	1
Transferred to assets held for distribution (Note 8.4.5(q))	(811)	(2,512)	(255)	-	-	(3,578)
Transferred to assets held for distribution (Note 8.4.5(q))	811	2,512	-	-	-	3,323
At 30 June 2013	811	2,512	-	532	507	4,362



13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of KTC Tawau (Continued)

8.4.5 Notes to the Audited Financial Statements of KTC Tawau (Continued)

(f) Property, Plant and Equipment (Continued)

	Leasehold	Industrial	Building	Motor	Office	Total
	land	buildings	RM'000	vehicles	equipment,	
	RM'000	RM'000	RM'000	RM'000	furniture	RM'000
	At cost/valuation					
	At cost/valuation	At cost/valuation	At cost/valuation	At cost/valuation	At cost/valuation	At cost/valuation
Cost/valuation (Continued)						
At 1 July 2013	811	2,512	-	532	507	4,362
Additions	-	-	-	-	7	7
At 30 June 2014	811	2,512	-	532	514	4,369
Additions	-	-	-	34	51	85
Revaluation surplus (Note 8.4.5 (k))	2,539	956	-	-	-	3,495
Transfer *	(102)	(411)	-	-	-	(513)
Disposal	-	-	-	(221)	-	(221)
Written off	-	-	-	-	(112)	(112)
At 30 June 2015	3,248	3,057	-	345	453	7,103



13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of KTC Tawau (Continued)

8.4.5 Notes to the Audited Financial Statements of KTC Tawau (Continued)

(f) Property, Plant and Equipment (Continued)

	Leasehold land RM'000	Industrial buildings RM'000	Building RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
	At cost/valuation					
	At cost					
Accumulated amortisation/depreciation						
At 1 July 2011	75	244	12	503	268	1,102
Amortisation/depreciation charge for the financial year	8	51	5	34	45	143
Disposal	-	-	-	(23)	-	(23)
Written off	-	-	-	-	(31)	(31)
At 30 June 2012	83	295	17	514	282	1,191
Amortisation/depreciation charge for the financial year	8	50	-	18	36	112
Transferred to assets held for distribution (Note 8.4.5(q))	(83)	(294)	(17)	-	-	(394)
Transferred from assets held for distribution (Note 8.4.5(q))	83	294	-	-	-	377
At 30 June 2013	91	345	-	532	318	1,286



13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of KTC Tawau (Continued)

8.4.5 Notes to the Audited Financial Statements of KTC Tawau (Continued)

(f) Property, Plant and Equipment (Continued)

	Leasehold lands RM'000	Industrial buildings RM'000	Building RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
At 1 July 2013	91	345	-	532	318	1,286
At 30 June 2014	99	395	-	532	352	1,378
Amortisation/depreciation charge for the financial year	8	50	-	-	34	92
At 30 June 2015	25	41	-	311	290	667
Amortisation/depreciation charge for the financial year	28	57	-	-	37	122
Transfer *	(102)	(411)	-	-	-	(513)
Disposal	-	-	-	(221)	-	(221)
Written off	-	-	-	-	(99)	(99)
At 30 June 2015	25	41	-	311	290	667

^ RM567

* The transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued leasehold lands and buildings.



13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of KTC Tawau (Continued)

8.4.5 Notes to the Audited Financial Statements of KTC Tawau (Continued)

(f) Property, Plant and Equipment (Continued)

Net carrying amounts	Leasehold	Industrial	Building	Motor	Office	Total
	lands	buildings	RM'000	vehicles	equipment,	
	RM'000	RM'000	RM'000	RM'000	furniture	RM'000
	At cost/valuation					
	At cost	At cost	At cost	At cost	At cost	At cost
At 30 June 2012	728	2,217	238	18	224	3,425
At 30 June 2013	720	2,167	-	#	189	3,076
At 30 June 2014	712	2,117	-	#	162	2,991
At 30 June 2015	3,223	3,016	-	34	163	6,436

RM8



13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of KTC Tawau (Continued)

8.4.5 Notes to the Audited Financial Statements of KTC Tawau (Continued)

(f) Property, Plant and Equipment (Continued)

The leasehold land have lease periods of 99 years (2012 and 2013: 999 years and 99 years and 2014: 99 years) expiring on 31 December 2101 (2012 and 2013: 31 December 2894 and 31 December 2101 respectively and 2014: 31 December 2101).

The leasehold land and industrial buildings with net carrying amount of RM3,189,774 (2012: RM1,351,357, 2013: RM1,323,471 and 2014: RM1,295,586) have been pledged to a financial institution to secure the credit facilities granted to KTC Tawau as disclosed in Note 8.4.5 (m).

Fair value information

During FYE 30 June 2015, the fair value of the leasehold land and buildings of KTC Tawau amounting to RM6,305,000 (2012, 2013 and 2014: RM Nil) carried at fair value is categorised at Level 3. During the FYE 30 June 2012, FYE 30 June 2013 and FYE 30 June 2014, the leasehold lands and buildings are carried at historical cost less accumulated amortisation and depreciation.

There are no Level 1 and 2 leasehold land and buildings or transfer between Levels 1, 2 and 3 during FYE 30 June 2015.

Reconciliation of fair value

	As at 30 June 2015 RM'000
As at 1 July 2012, 30 June 2013 and 30 June 2014	-
Level 3 revaluation recognised due to change in accounting policy to revaluation model	3,495
As at 30 June 2015	<u>3,495</u>

Level 3 fair value

Level 3 fair value of leasehold land and buildings have been derived using the average of sales comparison approach and depreciated replacement cost approach.

Sales comparison approach

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

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of KTC Tawau (Continued)

8.4.5 Notes to the Audited Financial Statements of KTC Tawau (Continued)

(f) Property, Plant and Equipment (Continued)

Fair value information (Continued)**Level 3 fair value (Continued)**Depreciated replacement cost approach

The values of the leasehold land are derived using the sales comparison approach. The buildings and structures are assessed by the estimated cost of reinstating similar new building and an allowable depreciation is made and deducted based on the observed condition of the building. The most significant input into this valuation approach is price per sqm of reinstatement cost.

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

Description	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Leasehold land and buildings	Sales comparison approach	<u>Leasehold land</u> Price per sqm RM983 (2012, 2013 and 2014: RM Nil)	The higher the price per sqm, the higher the fair value.
		<u>Buildings</u> Price per sqm RM1,440 (2012, 2013 and 2014: RM Nil)	
Leasehold land and buildings	Depreciated replacement cost approach	<u>Leasehold land</u> Price per sqm RM983 (2012, 2013 and 2014: RM Nil)	The higher the price/cost per sqm, the higher the fair value.
		<u>Buildings</u> Reinstatement cost per sqm RM1,800 (2012, 2013 and 2014: RM Nil)	
		Allowance for age and depreciation 20% (2012, 2013 and 2014: Nil%)	

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.4 **Audited Financial Statements of KTC Tawau (Continued)**
- 8.4.5 **Notes to the Audited Financial Statements of KTC Tawau (Continued)**
- (f) **Property, Plant and Equipment (Continued)**

Fair value information (Continued)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Valuation processes applied by KTC Tawau

KTC Tawau's finance department includes a team that performs valuation analysis of leasehold land and buildings required for financial reporting purposes, including Level 3 fair values. This team reports directly to the associate director.

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

Had the revalued assets been carried at historical cost less accumulated amortisation and depreciation, the net carrying value would have been as follows:-

	Cost RM'000	Accumulated amortisation/ depreciation RM'000	Net carrying amount RM'000
As at 30 June 2012			
Leasehold land	811	(83)	728
Buildings	2,512	(295)	2,217
Net carrying amount	<u>3,323</u>	<u>(378)</u>	<u>2,945</u>
As at 30 June 2013			
Leasehold land	811	(91)	720
Buildings	2,512	(345)	2,167
Net carrying amount	<u>3,323</u>	<u>(436)</u>	<u>2,887</u>

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)
- 8.4 Audited Financial Statements of KTC Tawau (Continued)
- 8.4.5 Notes to the Audited Financial Statements of KTC Tawau (Continued)
- (f) Property, Plant and Equipment (Continued)

Fair value information (Continued)

Valuation processes applied by KTC Tawau (Continued)

	Cost RM	Accumulated amortisation/ depreciation RM	Net carrying amount RM
As at 30 June 2014			
Leasehold land	811	(99)	712
Buildings	2,512	(395)	2,117
Net carrying amount	3,323	(494)	2,829
As at 30 June 2015			
Leasehold land	811	(109)	702
Buildings	2,512	(444)	2,068
Net carrying amount	3,323	(553)	2,770

Highest and best use

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

- (g) Inventories

	← 2012 RM'000	As at 30 June 2013 RM'000	2014 RM'000	→ 2015 RM'000
At cost:				
Trading inventories	4,398	4,200	4,691	5,095

For the FYE 30 June 2015, the amount of inventories recognised as an expense in cost of sales of KTC Tawau was RM26,612,507 (2012: RM23,607,314, 2013: RM25,313,063 and 2014: RM26,527,586).

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of KTC Tawau (Continued)

8.4.5 Notes to the Audited Financial Statements of KTC Tawau (Continued)

(h) Trade and Other Receivables

	Note	← As at 30 June →			
		2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Trade receivables	(a)	4,016	4,261	4,460	7,332
Less: Impairment on trade receivable		-	-	-	(4)
Trade receivables, net		4,016	4,261	4,460	7,328
Other receivables					
Other receivables		562	264	118	145
Deposits		5	64	4	22
Prepayments		-	-	68	237
Amounts due from related companies	(b)	55	75	151	2,145
		622	403	341	2,549
Total trade and other receivables		4,638	4,664	4,801	9,877
Add: Cash and bank balances (Note: 8.4.5 (i))		1,968	1,175	2,254	669
Less: Prepayments		-	-	(68)	(237)
Total loans and receivables		6,606	5,839	6,987	10,309

(a) Trade receivables

KTC Tawau's normal trade credit terms ranges from 30 days to 60 days (2012, 2013 and 2014: 30 days to 60 days). Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values at initial recognition.

Included in trade receivables of KTC Tawau are amounts totalling RM2,463,894 (2012: RM290,743, 2013: RM293,346 and 2014: RM309,567) due from related companies.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of KTC Tawau (Continued)

8.4.5 Notes to the Audited Financial Statements of KTC Tawau (Continued)

(h) Trade and Other Receivables (Continued)

(a) Trade receivables (Continued)

The ageing analysis of the trade receivables are as follows:-

	← As at 30 June →			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Neither past due nor impaired	3,424	3,678	4,060	4,625
Past due but not impaired:-				
1 to 30 days past due but not impaired	353	523	376	555
31 to 60 days past due but not impaired	205	50	9	285
61 to 90 days past due but not impaired	34	10	15	1,863
	592	583	400	2,703
	4,016	4,261	4,460	7,328
Impaired	-	-	-	4
	4,016	4,261	4,460	7,332

Receivables that are neither past due nor impaired

The directors of KTC Tawau are of the opinion that, no impairment loss is necessary in respect of these not past due trade receivables as these trade receivables are within the trade credit terms.

Receivables that are past due but not impaired

The balances of trade receivables that are past due but not impaired, representing approximately 36.87% (2012: 14.74%, 2013: 13.68% and 2014: 8.96%) of KTC Tawau's trade receivables are unsecured in nature.

The management has a credit procedure in place to monitor and minimise the exposure of default. The directors of KTC Tawau are of the opinion that no impairment loss is necessary in respect of these past due trade receivables.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of KTC Tawau (Continued)

8.4.5 Notes to the Audited Financial Statements of KTC Tawau (Continued)

(h) Trade and Other Receivables (Continued)

(a) Trade receivables (Continued)

Receivables that are impaired

Movement in allowance account:

	← As at 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
At the beginning of the financial year	-	-	-	-
Charge for the financial year	-	-	-	4
At the end of the financial year	-	-	-	4

(b) Amounts due from related companies

The amounts due from related companies are non-trade in nature, unsecured, interest free and receivable upon demand.

(i) Cash and Cash Equivalents

Cash and cash equivalents comprise the following:-

	← As at 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Cash in hand	3	*	-	-
Cash at banks	1,965	1,175	2,254	669
Cash and bank balances	1,968	1,175	2,254	669
Less:				
Bank overdraft (Note 8.4.5 (m))	-	-	-	(1,264)
	1,968	1,175	2,254	(595)

* RM146

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report
8. **AUDITED FINANCIAL STATEMENTS (Continued)**8.4 **Audited Financial Statements of KTC Tawau (Continued)**8.4.5 **Notes to the Audited Financial Statements of KTC Tawau (Continued)**(j) **Share Capital**

	← As at 30 June →			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Ordinary shares of RM1.00 each:-				
Auhorised:-				
At the beginning/end of the financial years	500	500	500	500
Issued and fully paid-up:-				
At the beginning/end of the financial years	500	500	500	500

(k) **Revaluation Reserve**

	← As at 30 June →			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
At the beginning of the financial years	-	-	-	-
Revaluation of leasehold lands and buildings				
- gross (Note 8.4.5 (f))	-	-	-	3,495
- tax (Note 8.4.5 (n))	-	-	-	(174)
Amortisation and depreciation transfer				
- gross	-	-	-	(25)
- tax	-	-	-	1
At the end of the financial years	-	-	-	3,297

The revaluation reserve relates to the revaluation of leasehold lands and buildings less amortisation/depreciation transfer to retained earnings.

(l) **Retained Earnings**

The entire retained earnings of KTC Tawau is available for distribution as single-tier dividends.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of KTC Tawau (Continued)

8.4.5 Notes to the Audited Financial Statements of KTC Tawau (Continued)

(m) Borrowings

	← As at 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Short-term borrowings - secured				
Term loan	47	-	-	-
Bankers' acceptances	1,689	1,823	3,320	2,514
Bank overdraft	-	-	-	1,006
	1,736	1,823	3,320	3,520
Short-term borrowings - unsecured				
Bankers' acceptances	1,019	1,862	2,499	2,128
Bank overdraft	-	-	-	259
	1,019	1,862	2,499	2,387
Long-term borrowing -secured				
Term loan	194	-	-	-
Total borrowings	2,949	3,685	5,819	5,907
Comprising portion repayable:-				
- not later than one year	2,755	3,685	5,819	5,907
- later than one year but not later than two years	56	-	-	-
- later than two years but not later than five years	138	-	-	-
	2,949	3,685	5,819	5,907

The borrowings are secured by the following:-

- (i) Third party legal charge over landed properties held under the name of a director of KTC Tawau and a person connected to the directors;
- (ii) Leasehold lands and industrial buildings of KTC Tawau as disclosed in Note 8.4.5(f); and
- (iii) Joint and several guarantee by certain directors of KTC Tawau and persons connected to the directors.

The term loans bear interests at rates which is on a floating rate basis of Nil% (2012: 7.05%, 2013 and 2014: Nil%) per annum.

The bankers' acceptances bear interests at rates ranging from 3.40% to 4.82% (2012: 3.19% to 4.72%, 2013: 3.35% to 4.74% and 2014: 3.30% to 5.00%) per annum.

The bank overdraft bears interest at rates ranging from 8.10% to 8.35% (2012, 2013 and 2014: Nil%) per annum.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
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8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of KTC Tawau (Continued)

8.4.5 Notes to the Audited Financial Statements of KTC Tawau (Continued)

(m) Borrowings (Continued)

Subsequent to FYE 30 June 2015, the third party legal charge over landed properties held under the name of a director of KTC Tawau and a person connected to the directors have been uplifted by substitution of corporate guarantee provided by KTC Consolidated.

(n) Deferred Tax Liabilities

	← As at 30 June →			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
At the beginning of the financial years	164	236	41	37
Recognised in profit or loss (Note 8.4.5 (e))	72	(195)	(4)	(5)
Recognised in other comprehensive income (Note 8.4.5 (k))	-	-	-	175
At the end of the financial years	236	41	37	207

The components and movements of deferred tax liabilities during the financial year are as follows:

	Temporary differences between tax written down values and the corresponding net carrying amount RM'000	Revaluation of property, plant and equipment RM'000	Total RM'000
At 1 July 2012	164	-	164
Recognised in profit or loss (Note 8.4.5 (e))	72	-	72
At 30 June 2012	236	-	236
Recognised in profit or loss (Note 8.4.5 (e))	(195)	-	(195)
At 30 June 2013	41	-	41
Recognised in profit or loss (Note 8.4.5 (e))	(4)	-	(4)
At 30 June 2014	37	-	37
Recognised in profit or loss (Note 8.4.5 (e))	(5)	-	(5)
Recognised in other comprehensive income (Note 8.4.5 (k))	-	175	175
At 30 June 2015	32	175	207

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
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8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of KTC Tawau (Continued)

8.4.5 Notes to the Audited Financial Statements of KTC Tawau (Continued)

(o) Trade and Other Payables

	← As at 30 June →			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Trade payables	2,880	2,700	1,038	3,744
Other payables				
Other payables	-	3	1	29
Deposits	34	50	82	94
Accruals	45	15	23	343
	79	68	106	466
Amounts due to directors	2,392	-	-	-
Total trade and other payables	5,351	2,768	1,144	4,210
Add: Borrowings (Note 8.4.5 (m))	2,949	3,685	5,819	5,907
Total other financial liabilities carried at amortised cost	8,300	6,453	6,963	10,117

(a) Trade payables

The normal trade credit terms granted to KTC Tawau ranges from 14 to 90 days (2012, 2013 and 2014: 7 days to 90 days).

Included in trade payables of KTC Tawau are amounts totalling RM1,470,291 (2012: RM 882,211, 2013: RM944,755 and 2014: RM319,886) due to related companies.

(b) Amounts due to directors

The amounts due to directors were non-trade in nature, unsecured, interest-free and repayable upon demand.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
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8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of KTC Tawau (Continued)

8.4.5 Notes to the Audited Financial Statements of KTC Tawau (Continued)

(p) Significant Related Party Disclosures

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with KTC Tawau or that has an interest in KTC Tawau that gives it significant influence over KTC Tawau's financial and operating policies. It also includes members of key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in KTC Tawau resides with, directly or indirectly.

The nature of the relationships with the related parties are as follows:-

Name of related parties	Nature of relationship
KTC Capital	Ultimate holding company
KTC Holdings	Immediate holding company
KTC Sdn Bhd	A related company *
AMDA Marketing	A related company *
KTC Distribution	A related company
KTC Brands	A related company *
Lau Wei Dick @ Dexter Dick Lau	A person connected to the directors
Lim Soh Chu@ Lim Su Chu	A person connected to the directors
Lim Su Ching	A person connected to the directors

* On 22 May 2013, KTC Tawau became a wholly-owned subsidiary company of KTC Holdings. Prior to this date, the relationship between KTC Tawau and its related parties were that of companies in which a director has interest.

13. ACCOUNTANTS' REPORT (Cont'd)**KIM TECK CHEONG CONSOLIDATED BERHAD**
Accountants' Report**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.4 Audited Financial Statements of KTC Tawau (Continued)****8.4.5 Notes to the Audited Financial Statements of KTC Tawau (Continued)****(p) Significant Related Party Disclosures (Continued)**

Other than disclosed elsewhere in the financial statements, the significant related party transactions during FYE 30 June 2015 between KTC Tawau and its related parties are as follow:-

	← FYE 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Sales to:-				
- KTC Sdn Bhd	1,592	1,625	1,379	1,652
- KTC Distribution	-	-	-	912
Purchases from:-				
- KTC Sdn Bhd	13,676	15,166	14,902	15,700
- KTC Brands	-	-	1,165	153
- KTC Distribution	-	-	-	12
Supply chain income from:-				
- AMDA Marketing	392	391	409	384

(q) Dividend on Ordinary Shares

	← FYE 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Dividend:				
- Special dividend-in-specie by the distribution of specific assets in the form of properties, declared on 15 March 2013 and paid on 28 March 2013 for the FYE 30 June 2013	-	4,750	-	-

Subsequent to the declaration of the above dividend, KTC Tawau and its shareholders had on 30 June 2013 mutually agreed to partially cancel the dividend-in-specie and reinstate some of the properties with a market value of RM4,200,000 to KTC Tawau with no consideration.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
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8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.4 **Audited Financial Statements of KTC Tawau (Continued)**
- 8.4.5 **Notes to the Audited Financial Statements of KTC Tawau (Continued)**
- (q) **Dividend on Ordinary Shares (Continued)**

The above dividend was distributed in the form of properties as disclosed below:

	As at FYE 30 June 2013 RM'000
Transferred from property, plant and equipment (Note 8.4.5 (f))	3,184
Fair value adjustment of assets held for distribution	1,566
	<hr/> 4,750
Cancellation of dividend:	
- reversal of fair value adjustment	(1,254)
- transferred to leasehold land and buildings (Note 8.4.5 (f))	(2,946)
	<hr/> (550)
Special dividend-in-specie by the distribution of specific assets in the form of properties	<hr/> (550)

(r) **Financial Instruments**

(i) **Financial risk management and objectives**

KTC Tawau is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk.

The directors of KTC Tawau review and agree policies and procedures for the management of these risks.

The following sections provide details regarding KTC Tawau's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(a) **Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. KTC Tawau's exposure to credit risk arises primarily from trade and other receivables and amounts due from related companies.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



- 8. AUDITED FINANCIAL STATEMENTS (Continued)
- 8.4 Audited Financial Statements of KTC Tawau (Continued)
- 8.4.5 Notes to the Audited Financial Statements of KTC Tawau (Continued)
- (r) Financial Instruments (Continued)
 - (i) Financial risk management and objectives (Continued)
 - (a) Credit risk (Continued)

KTC Tawau's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. KTC Tawau trades only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that KTC Tawau's exposure to bad debts is not significant.

Exposure to credit risk

As at 30 June 2015, KTC Tawau's maximum exposure to the credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

Information regarding credit enhancement for trade and other receivables is disclosed in Note 8.4.5 (h).

Receivables that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 8.4.5 (h).

Receivables that are past due but not impaired

Information regarding trade receivables that are past due but not impaired is disclosed in Note 8.4.5 (h).

Credit risk concentration profile

As at 30 June 2015, KTC Tawau has a significant concentration of credit risk in the form of five (5) (2012 and 2013: Nil and 2014: five (5)) major trade receivables, representing approximately 45.31% (2012 and 2013: Nil% and 2014: 27.49%) of KTC Tawau's total trade receivables respectively.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
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8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.4 **Audited Financial Statements of KTC Tawau (Continued)**
- 8.4.5 **Notes to the Audited Financial Statements of KTC Tawau (Continued)**
- (r) **Financial Instruments (Continued)**
- (i) **Financial risk management and objectives (Continued)**
- (b) **Liquidity risk**

Liquidity risk is the risk that KTC Tawau will encounter difficulty in meeting financial obligations due to shortage of funds. KTC Tawau's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

As at 30 June 2015, all (2012: 93.44%, 2013 and 2014: 100%) of KTC Tawau's loans and borrowings, as disclosed in Note 8.4.5(m), will mature in less than one year based on the carrying amounts reflected in the statement of financial position.

Analysis of financial instruments by remaining contractual maturities

The table below summaries the maturity profile of KTC Tawau's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	On demand or within one year RM'000	One to five years RM'000	Total RM'000
As at 30 June 2012			
Trade and other payables	5,351	-	5,351
Borrowings	2,755	194	2,949
Total undiscounted financial liabilities	8,106	194	8,300
As at 30 June 2013			
Trade and other payables	2,768	-	2,768
Borrowings	3,685	-	3,685
Total undiscounted financial liabilities	6,453	-	6,453

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
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8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.4 **Audited Financial Statements of KTC Tawau (Continued)**
- 8.4.5 **Notes to the Audited Financial Statements of KTC Tawau (Continued)**
- (r) **Financial Instruments (Continued)**
- (i) **Financial risk management and objectives (Continued)**
- (b) **Liquidity risk (Continued)**

**Analysis of financial instruments by remaining contractual maturities
(Continued)**

	On demand or within one year RM'000	One to five years RM'000	Total RM'000
As at 30 June 2014			
Trade and other payables	1,144	-	1,144
Borrowings	5,819	-	5,819
Total undiscounted financial liabilities	6,963	-	6,963
As at 30 June 2015			
Trade and other payables	4,210	-	4,210
Borrowings	5,907	-	5,907
Total undiscounted financial liabilities	10,117	-	10,117

(c) **Interest rate risk**

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

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8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.4 **Audited Financial Statements of KTC Tawau (Continued)**
- 8.4.5 **Notes to the Audited Financial Statements of KTC Tawau (Continued)**
- (r) **Financial Instruments (Continued)**
- (i) **Financial risk management and objectives (Continued)**
- (c) **Interest rate risk (Continued)**

Interest rate risk sensitivity

The table below demonstrates the sensitivity to a reasonable possible change in interest rates with all other variables held constant, of KTC Tawau's profit after taxation:-

	Carrying amount RM'000	Movement in basis point	Effects on profit after taxation RM'000
FYE 30 June 2012			
Borrowings	2,949	50	(11)
FYE 30 June 2013			
Borrowings	3,685	50	(14)
FYE 30 June 2014			
Borrowings	5,819	50	(22)
FYE 30 June 2015			
Borrowings	5,907	50	(22)

The profit after taxation will be higher/lower when the interest rates decrease/increase.

(ii) **Fair value measurement**

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate to their fair values due to the relatively short term nature of these financial instruments.

There have been no transfers between Levels 1, 2 and 3 during FYE 30 June 2015 (2012, 2013 and 2014: no transfer in either directions).

KTC Tawau does not have any financial assets or financial liabilities measured at Levels 1, 2 and 3 hierarchy.

There were no unrecognised financial instruments as at 30 June 2012, 30 June 2013, 30 June 2014 and 30 June 2015 that are required to be disclosed.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
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8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.4 **Audited Financial Statements of KTC Tawau (Continued)**
- 8.4.5 **Notes to the Audited Financial Statements of KTC Tawau (Continued)**
- (s) **Capital Management**

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

KTC Tawau manages its capital structure, and makes adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, KTC Tawau may adjust dividend payment to shareholders, return capital to shareholders or issue new shares, raise new debts and reduce existing debts.

KTC Tawau monitors the level of dividends to be paid to shareholders. KTC Tawau's objective is to pay out regular dividends to the shareholders based on the level of KTC Tawau's profitability and cash flows.

KTC Tawau monitors capital using a gearing ratio, which is net debts divided by total capital plus net debts. Net debts comprise total borrowings and trade and other payables, less cash and bank balances whilst total capital is the shareholders' funds of KTC Tawau.

The gearing ratio is as follows:-

	← As at 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Net debts				
Borrowings	2,949	3,685	5,819	5,907
Trade and other payables	5,351	2,768	1,144	4,210
Less: Cash and bank balances	(1,968)	(1,175)	(2,254)	(669)
	6,332	5,278	4,709	9,448
Capital				
Equity attributable to owner(s) of KTC Tawau	5,856	6,452	7,683	11,739
Capital and net debts	12,188	11,730	12,392	21,187
Gearing ratio	52%	45%	38%	45%

There were no changes in KTC Tawau's approach to capital management during the financial years under review.

KTC Tawau is not subject to externally imposed capital requirements.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
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8. AUDITED FINANCIAL STATEMENTS (Continued)

8.4 Audited Financial Statements of KTC Tawau (Continued)

8.4.5 Notes to the Audited Financial Statements of KTC Tawau (Continued)

(t) Significant Event Subsequent to the End of the Reporting Period

On 1 July 2015, KTC Consolidated acquired the entire equity interest of KTC Tawau from KTC Holdings for a total consideration of RM10,984,013 via the issuance of 66,499,900 Shares and 4,334,023 RCPS. As a result, KTC Consolidated becomes the immediate holding company and KTC Holdings becomes the penultimate holding company.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of KTC Sarawak

8.5.1 Audited Statements of Profit or Loss and Other Comprehensive Income of KTC Sarawak

The audited statements of profit or loss and other comprehensive income of KTC Sarawak for the FYE 30 June 2012, FYE 30 June 2013, FYE 30 June 2014 and FYE 30 June 2015 are as follows:-

	Note	← FYE 30 June →			
		2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Revenue	8.5.5 (a)	10,368	11,028	10,663	13,510
Cost of sales		(8,950)	(9,139)	(9,223)	(11,307)
Gross profit		<u>1,418</u>	<u>1,889</u>	<u>1,440</u>	<u>2,203</u>
Other income		7	19	17	34
Administrative expenses		(433)	(458)	(398)	(347)
Selling and distribution expenses		(441)	(416)	(593)	(1,657)
Other operating expenses		(14)	(6)	(18)	(1)
Operating profit		<u>537</u>	<u>1,028</u>	<u>448</u>	<u>232</u>
Finance costs	8.5.5 (b)	^	(4)	(7)	(52)
Profit before taxation	8.5.5 (c)	<u>537</u>	<u>1,024</u>	<u>441</u>	<u>180</u>
Income tax expense	8.5.5 (e)	(173)	(233)	(111)	(40)
Net profit for the financial years, representing total comprehensive income for the financial years		<u>364</u>	<u>791</u>	<u>330</u>	<u>140</u>
<i>Gross profit margin (%)</i>		13.68	17.13	13.50	16.31
<i>Profit before tax margin (%)</i>		5.18	9.29	4.14	1.33
<i>Effective tax rate (%)</i>		32.22	22.75	25.17	22.22
<i>Weighted average number of ordinary shares in issue ('000)</i>		50	50	50	50
<i>Gross EPS (RM)</i>		10.74	20.48	8.82	3.60
<i>Net EPS (RM)</i>		7.28	15.82	6.60	2.80

^ (RM289)

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
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8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of KTC Sarawak (Continued)

8.5.2 Audited Statements of Financial Position of KTC Sarawak

The audited statements of financial position of KTC Sarawak as at 30 June 2012, 30 June 2013, 30 June 2014 and 30 June 2015 are as follows:-

	Note	← As at 30 June →			
		2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
ASSETS					
Non-current asset					
Property, plant and equipment	8.5.5 (f)	73	65	69	697
Current assets					
Inventories	8.5.5 (g)	1,680	2,042	3,282	5,548
Trade and other receivables	8.5.5 (h)	1,479	1,748	1,673	3,631
Tax recoverable		10	-	31	168
Fixed deposits placed with a licensed bank	8.5.5 (i)	248	-	-	-
Cash and bank balances	8.5.5 (i)	701	893	1,237	685
Total current assets		4,118	4,683	6,223	10,032
TOTAL ASSETS		4,191	4,748	6,292	10,729
EQUITY AND LIABILITIES					
Equity attributable to owner(s) of KTC Sarawak					
Share capital	8.5.5 (j)	50	50	50	50
Retained earnings	8.5.5 (k)	2,628	3,419	3,749	3,889
Total equity		2,678	3,469	3,799	3,939

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
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8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of KTC Sarawak (Continued)

8.5.2 Audited Statements of Financial Position of KTC Sarawak (Continued)

	← As at 30 June →			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Non-current liabilities				
Hire purchase payables	8.5.5 (l)	-	-	148
Borrowings	8.5.5 (m)	186	146	122
Deferred tax liabilities	8.5.5 (n)	4	3	56
Total non-current liabilities		190	149	326
Current liabilities				
Trade and other payables	8.5.5 (o)	1,287	998	2,491
Hire purchase payables	8.5.5 (l)	-	-	33
Borrowings	8.5.5 (m)	36	40	554
Current tax liabilities		-	92	-
Total current liabilities		1,323	1,130	2,491
Total liabilities		1,513	1,279	2,493
TOTAL EQUITY AND LIABILITIES		4,191	4,748	6,292
<i>Number of ordinary shares</i>				
<i>in issue of RM1.00 each ('000)</i>		50	50	50
<i>NTA (RM'000)</i>		2,678	3,469	3,799
<i>NTA per ordinary share (RM)</i>		53.56	69.38	75.98
<i>NA (RM'000)</i>		2,678	3,469	3,799
<i>NA per ordinary share (RM)</i>		53.56	69.38	75.98

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of KTC Sarawak (Continued)

8.5.3 Audited Statements of Changes in Equity of KTC Sarawak

The audited statements of changes in equity of KTC Sarawak for the FYE 30 June 2012, FYE 30 June 2013, FYE 30 June 2014 and FYE 30 June 2015 are as follows:-

	Share Capital RM'000	<u>Distributable</u> Retained Earnings RM'000	Total Equity RM'000
Balance at 1 July 2011	50	2,264	2,314
Total comprehensive income for the financial year	-	364	364
Balance at 30 June 2012	50	2,628	2,678
Total comprehensive income for the financial year	-	791	791
Balance at 30 June 2013	50	3,419	3,469
Total comprehensive income for the financial year	-	330	330
Balance at 30 June 2014	50	3,749	3,799
Total comprehensive income for the financial year	-	140	140
Balance at 30 June 2015	50	3,889	3,939

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of KTC Sarawak (Continued)

8.5.4 Audited Statements of Cash Flows of KTC Sarawak

The audited statements of cash flows of KTC Sarawak for the FYE 30 June 2012, FYE 30 June 2013, FYE 30 June 2014 and FYE 30 June 2015 are as follows:-

	← FYE 30 June →			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	537	1,024	441	180
Adjustments for:				
Bad debts written off	-	2	-	-
Deposit written off	-	-	10	-
Depreciation of property, plant and equipment	20	12	13	69
Gain on disposal of property, plant and equipment	-	-	-	(7)
Interest income	(7)	(19)	(15)	(6)
Interest expenses	*	4	7	52
Property, plant and equipment written off	-	-	6	-
Inventories written off	-	-	-	1
Operating profit before working capital changes	550	1,023	462	289
Changes in working capital				
Inventories	(346)	(362)	(1,240)	(2,266)
Receivables	74	(271)	65	(1,958)
Payables	(38)	(42)	810	2,557
Cash generated from/(used in) operations	240	348	97	(1,378)
Interests received	-	19	15	-
Interests paid	-	-	-	(8)
Income tax paid	(94)	(133)	(235)	(126)
Income tax refunded	-	-	-	2
Net Operating Cash Flows	146	234	(123)	(1,510)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment ^	(13)	(4)	(23)	(519)
Proceeds from disposal of property, plant and equipment	-	-	-	13
Interests received	7	-	-	6
Net Investing Cash Flows	(6)	(4)	(23)	(500)

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of KTC Sarawak (Continued)

8.5.4 Audited Statements of Cash Flows of KTC Sarawak (Continued)

	← FYE 30 June →			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Interests paid	#	(4)	(7)	(44)
Net changes in amount due to a director	41	(246)	(36)	-
Net changes in amount due to a related company	-	-	719	830
Drawdown from bankers' acceptances	-	-	-	615
Repayments of bankers' acceptances	-	-	-	(615)
Drawdown of term loan	-	-	-	192
Repayments of term loan	(40)	(36)	(186)	(10)
Repayments of hire purchase payables	-	-	-	(4)
Net Financing Cash Flows	1	(286)	490	964
NET CHANGE IN CASH AND CASH EQUIVALENTS				
	141	(56)	344	(1,046)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEARS				
	808	949	893	1,237
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEARS (Note 8.5.5 (i))				
	949	893	1,237	191

* RM289 # (RM289)

^ During the FYE 30 June 2015, KTC Sarawak acquired property, plant and equipment amounting to RM702,864 (2012: RM12,917, 2013: RM3,600 and 2014: RM22,941), of which RM225,760 (2012, 2013 and 2014: RM Nil) were acquired under hire purchase instalment plans. Cash payments of RM41,760 (2012, 2013 and 2014: RM Nil) were made towards the hire purchase.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of KTC Sarawak (Continued)

8.5.5 Notes to the Audited Financial Statements of KTC Sarawak

(a) Revenue

Revenue represents invoiced value of goods sold, net of sales returns and trade discounts.

(b) Finance Costs

	← FYE 30 June →			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Interest expenses:-				
- interest charged by a related company	-	-	2	3
- term loan	^	4	5	2
- hire purchase payables	-	-	-	2
- bankers' acceptances	-	-	-	37
- bank overdraft	-	-	-	8
	^	4	7	52

^ RM289

(c) Profit Before Taxation

Profit before taxation is arrived at:-

	← FYE 30 June →			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
After charging:-				
Auditors' remuneration	2	3	10	6
Bad debts written off	-	2	-	-
Deposit written off	-	-	10	-
Depreciation of property, plant and equipment	20	12	13	69
Directors' remuneration				
- salaries, commissions and allowances	312	322	206	-
- fee	-	-	25	50
- EPF and social contribution	39	41	15	-
Inventories written off	-	-	-	1
Property, plant and equipment written off	-	-	6	-
Rental expenses	49	50	72	279
Staff costs (Note 8.5.5 (d))	318	318	465	965
And crediting:-				
Gain on disposal of property, plant and equipment	-	-	-	7
Interest income	7	19	15	6
Rental income	-	-	2	20

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of KTC Sarawak (Continued)

8.5.5 Notes to the Audited Financial Statements of KTC Sarawak (Continued)

(d) Staff Costs

	← FYE 30 June →			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Salaries, bonuses commissions and allowances	280	278	408	858
EPF and social contribution	38	40	57	107
	318	318	465	965
Included in staff costs were remuneration for the key management personnel other than directors as follows:-				
- salaries, bonuses, commissions and allowances	-	-	43	110
- EPF and social contribution	-	-	5	12
	-	-	48	122

Key management personnel comprise persons other than the director of KTC Sarawak, having authority and responsibility for planning, directing and controlling the activities of KTC Sarawak either directly or indirectly.

(e) Income Tax Expense

	← FYE 30 June →			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Income tax				
- current financial year	177	234	111	6
- overprovision in prior financial year	-	-	-	(20)
	177	234	111	(14)
Deferred taxation (Note 8.5.5 (n))				
- (reversal)/origination of temporary differences	(4)	(1)	@	47
- underprovision in prior financial year	-	-	-	9
- relating to changes in tax rate	-	-	-	(2)
	173	233	111	40

@ (RM222)

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of KTC Sarawak (Continued)

8.5.5 Notes to the Audited Financial Statements of KTC Sarawak (Continued)

(e) Income Tax Expense (Continued)

The income tax rate applicable to SME incorporated in Malaysia with paid-up capital of RM2,500,000 and below is subject to the statutory rate of 20% on chargeable income of up to RM500,000. For chargeable income in excess of RM500,000, statutory tax rate of 25% (2012, 2013 and 2014: 25%) is still applicable.

During the FYE 30 June 2015, KTC Sarawak is not entitled for SME income tax rate as the issued and paid-up share capital of KTC Holdings is more than RM2,500,000.

The reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of KTC Sarawak is as follows:-

	← FYE 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	537	1,024	441	180
Tax at statutory tax rate of 25% (2012, 2013 and 2014: 25%)	134	256	110	45
Tax effects arising from:-				
- non-deductible expenses	64	2	1	10
- non-taxable income	-	-	-	(2)
- SME tax savings	(25)	(25)	-	-
- changes in tax rate	-	-	-	(2)
- underprovision of deferred tax liabilities in prior financial years	-	-	-	9
- overprovision of income tax expense in prior financial years	-	-	-	(20)
Tax expense for the financial years	173	233	111	40

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of KTC Sarawak (Continued)

8.5.5 Notes to the Audited Financial Statements of KTC Sarawak (Continued)

(f) Property, Plant and Equipment

	Furniture and equipment, warehouse equipment, and computer RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
Cost				
At 1 July 2011	114	397	57	568
Additions	6	-	7	13
At 30 June 2012	120	397	64	581
Additions	4	-	-	4
At 30 June 2013	124	397	64	585
Additions	14	-	9	23
Written off	(93)	-	-	(93)
At 30 June 2014	45	397	73	515
Additions	273	399	31	703
Disposals	(6)	(79)	-	(85)
At 30 June 2015	312	717	104	1,133
Accumulated depreciation				
At 1 July 2011	95	388	5	488
Depreciation charge for the financial year	4	9	7	20
At 30 June 2012	99	397	12	508
Depreciation charge for the financial year	5	-	7	12
At 30 June 2013	104	397	19	520
Depreciation charge for the financial year	6	-	7	13
Written off	(87)	-	-	(87)
At 30 June 2014	23	397	26	446
Depreciation charge for the financial year	28	31	10	69
Disposals	#	(79)	-	(79)
At 30 June 2015	51	349	36	436
# (RM635)				

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)
- 8.5 Audited Financial Statements of KTC Sarawak (Continued)
- 8.5.5 Notes to the Audited Financial Statements of KTC Sarawak (Continued)
- (f) Property, Plant and Equipment (Continued)

	Furniture and equipment, warehouse equipment, and computer RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
Net carrying amounts				
At 30 June 2012	21	*	52	73
At 30 June 2013	20	*	45	65
At 30 June 2014	22	*	47	69
At 30 June 2015	261	368	68	697

* RM4

The motor vehicles with total net carrying amounts of RM216,199 (2012, 2013 and 2014: RM Nil) were acquired under hire purchase instalment plans.

- (g) Inventories

	← As at 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
At cost:				
Trading inventories	1,680	2,042	3,282	5,548

During FYE 30 June 2015, the amount of inventories recognised as an expense in cost of sales of KTC Sarawak was RM11,500,629 (2012: RM9,026,361, 2013: RM9,547,381 and 2014: RM10,122,823).

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of KTC Sarawak (Continued)

8.5.5 Notes to the Audited Financial Statements of KTC Sarawak (Continued)

(h) Trade and Other Receivables

	← As at 30 June →			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Trade receivables	1,242	1,509	1,589	3,039
Other receivables				
Other receivables	227	231	11	517
Deposits	10	8	59	59
Prepayments	#	#	14	16
	237	239	84	592
Total trade and other receivables	1,479	1,748	1,673	3,631
Add: Cash and bank balances (Note 8.5.5 (i))	701	893	1,237	685
Fixed deposits placed with a licensed bank (Note 8.5.5 (i))	248	-	-	-
Less: Prepayments	(#)	(#)	(14)	(16)
Total loans and receivables	2,428	2,641	2,896	4,300

RM31

(i) Trade receivables

KTC Sarawak's normal trade credit terms ranges from 30 days to 60 days (2012, 2013 and 2014: 30 days to 60 days). Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on the initial recognition.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.5 **Audited Financial Statements of KTC Sarawak (Continued)**
- 8.5.5 **Notes to the Audited Financial Statements of KTC Sarawak (Continued)**
- (h) **Trade and Other Receivables (Continued)**
- (i) **Trade receivables (Continued)**

The ageing analysis of trade receivables are as follows:-

	← As at 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Neither past due nor impaired	1,174	1,364	1,347	2,364
Past due but not impaired:-				
1 to 30 days past due not impaired	65	125	153	272
31 to 60 days past due not impaired	3	4	83	329
61 to 90 days past due not impaired	-	16	6	74
	68	145	242	675
	1,242	1,509	1,589	3,039

Receivables that are neither past due nor impaired

The directors of KTC Sarawak are of the opinion that no impairment loss is necessary in respect of these not past due trade receivables as these trade receivables are within the trade credit terms.

Receivables that are past due but not impaired

The balances of trade receivables that are past due but not impaired, representing approximately 22.22% (2012: 5.55%, 2013: 9.64% and 2014: 15.20%) of KTC Sarawak's trade receivables are unsecured in nature.

The management has a credit procedure in place to monitor and minimise the exposure of default. The directors of KTC Sarawak are of the opinion that no impairment loss is necessary in respect of these past due trade receivables.

(ii) **Other receivables**

Included in deposits is an amount of RM Nil (2012 and 2013: RM Nil and 2014: RM28,200) being the deposit paid for the purchase of property, plant and equipment as disclosed in Note 8.5.5(q).

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of KTC Sarawak (Continued)

8.5.5 Notes to the Audited Financial Statements of KTC Sarawak (Continued)

(i) Cash and Cash Equivalents

Cash and cash equivalents comprise the following:-

	← As at 30 June →			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Cash in hand	3	15	-	-
Cash at banks	698	878	1,237	685
Cash and bank balances	<u>701</u>	<u>893</u>	<u>1,237</u>	<u>685</u>
Add: Fixed deposits placed with a licensed bank	248	-	-	-
Less: Bank overdraft (Note 8.5.5 (m))	-	-	-	(494)
	<u>949</u>	<u>893</u>	<u>1,237</u>	<u>191</u>

As at 30 June 2012, fixed deposit placed with a licensed bank had a maturity period of 1-2 months, which borne effective interest rate ranging from 2.25% to 2.95% per annum.

(j) Share Capital

	← As at 30 June →			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Ordinary shares of RM1.00 each:-				
Authorised:-				
At the beginning/end of the financial years	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Issued and fully paid-up:-				
At the beginning/end of the financial years	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of KTC Sarawak (Continued)

8.5.5 Notes to the Audited Financial Statements of KTC Sarawak (Continued)

(k) Retained Earnings

The entire retained earnings of KTC Sarawak is available for distribution as single-tier dividends.

(l) Hire Purchase Payables

	← As at 30 June →			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Future minimum hire purchase payments:-				
- not later than one year	-	-	-	43
- later than one year but not later than five years	-	-	-	165
	-	-	-	208
Less: Future finance charges	-	-	-	(27)
Present value of hire purchase payables	-	-	-	181
Represented by:-				
- not later than one year	-	-	-	33
- later than one year but not later than five years	-	-	-	148
	-	-	-	181

The hire purchase payables bear interest at a rate of 3.12% (2012, 2013 and 2014: Nil%) per annum.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of KTC Sarawak (Continued)

8.5.5 Notes to the Audited Financial Statements of KTC Sarawak (Continued)

(m) Borrowings

	← As at 30 June →			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Short-term borrowing - secured				
Term loan	36	40	-	60
Short-term borrowing - unsecured				
Bank overdraft	-	-	-	494
Long-term borrowing - secured				
Term loan	186	146	-	122
Total borrowings	<u>222</u>	<u>186</u>	<u>-</u>	<u>676</u>
Comprising portion repayable:-				
- not later than one year	36	40	-	554
- later than one year but not later than two years	186	146	-	64
- later than two years but not later than five years	-	-	-	58
Total borrowings	<u>222</u>	<u>186</u>	<u>-</u>	<u>676</u>

The borrowings are secured by the following:-

- (i) As at 30 June 2012 and 30 June 2013, facilities agreement to secure the principal sum of RM340,000 together with interest thereon and all monies due and payable;
- (ii) As at 30 June 2015, Facilities Agreement to secure the principal sum of RM3,692,000 together with interest thereon and all monies due and payable;
- (iii) First party and first legal charge over a freehold land and building of a director;
- (iv) Corporate guarantee by KTC Holdings;
- (v) Corporate guarantee by KTC Sdn. Bhd.; and
- (vi) Joint and several guarantee by certain directors of KTC Sarawak.

The term loan was repayable by way of 60 equal monthly instalments comprising principal and interests of RM3,339 each commencing July 2009.

The term loan is repayable by way of 36 equal monthly instalments comprising principal and interests of RM5,938 each commencing May 2015.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.5 Audited Financial Statements of KTC Sarawak (Continued)****8.5.5 Notes to the Audited Financial Statements of KTC Sarawak (Continued)****(m) Borrowings (Continued)**

The term loan and bank overdraft bear interest at floating rate of 7.35% (2012 and 2013: 4.4% and 2014: Nil%) per annum. During the FYE 30 June 2012 and 2013, the interest on the term loan was charged on a daily basis after set off with bank balances.

The first party and first legal charge over a freehold land and building of a director as disclosed in Note 8.5.5 (m)(iii) above had been discharged following the full settlement of the related term loan during the FYE 30 June 2014.

Subsequent to 30 June 2015, in relation to the corporate guarantee by KTC Holdings in favour of a licensed bank as disclosed in Note 8.5.5 (m)(iv) above, the said bank has agreed to discharge the corporate guarantee by KTC Holdings subject to the execution of a corporate guarantee by KTC Consolidated and two of the directors of KTC Sarawak, namely Datuk Lau Koh Sing @ Lau Kok Sing and Lau Wei Dick @ Dexter Dick Lau, shall remain as the controlling shareholders of KTC Consolidated at all times.

(n) Deferred Tax Liabilities

	← As at 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
At the beginning of the financial years	8	4	3	2
Recognised in profit or loss (Note 8.5.5 (e))	(4)	(1)	@	54
At the end of the financial years	<u>4</u>	<u>3</u>	<u>2</u>	<u>56</u>

@ (RM222)

Deferred tax liabilities comprise the temporary differences between the carrying amounts and the corresponding tax written down values of property, plant and equipment.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of KTC Sarawak (Continued)

8.5.5 Notes to the Audited Financial Statements of KTC Sarawak (Continued)

(o) Trade and Other Payables

	← As at 30 June →			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Trade payables	982	944	1,738	4,143
Other payables				
Other payables	8	#	7	156
Accruals	15	18	27	30
	23	18	34	186
Amount due to a director	282	36	-	-
Amounts due to related companies	-	-	719	1,548
Total trade and other payables	1,287	998	2,491	5,877
Add:				
Hire purchase payables (Note 8.5.5 (l))	-	-	-	181
Borrowings (Note 8.5.5 (m))	222	186	-	676
Total other financial liabilities carried at amortised cost	1,509	1,184	2,491	6,734

RM854

(i) Trade payables

The normal trade credit terms granted to KTC Sarawak ranges from 30 to 75 days (2012, 2013 and 2014: 30 days to 75 days).

Included in trade payables of KTC Sarawak is an amount of RM426,378 (2012 and 2013: RM Nil and 2014: RM9,192) due to a related company.

(ii) Amount due to a director

The amount due to a director was non-trade in nature, unsecured, interest-free and repayable upon demand.

(iii) Amounts due to related companies

The amounts due to related companies are non-trade in nature, unsecured, interest-free and repayable upon demand, except for an amount of RM774,000 (2012 and 2013: RM Nil and 2014: RM692,000) which bear interest at a rate of 3.32% (2012 and 2013: Nil% and 2014: 3.13%) per annum.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of KTC Sarawak (Continued)

8.5.5 Notes to the Audited Financial Statements of KTC Sarawak (Continued)

(p) Significant Related Party Disclosures

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with KTC Sarawak or that has an interest in KTC Sarawak that gives it significant influence over KTC Sarawak's financial and operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in KTC Sarawak resides with, directly or indirectly.

The nature of the relationships with the related parties are as follows:-

Name of related parties	Nature of relationship
KTC Capital	Ultimate holding company*
KTC Holdings	Immediate holding company*
KTC Sdn Bhd	A related company*
KTC Brands	A related company*

* On 16 December 2013, KTC Sarawak became an 80%-owned subsidiary company of KTC Holdings. Prior to this date, KTC Sarawak was not related to any of the companies above.

Other than disclosed elsewhere in the financial statements, the significant transactions during the financial years under review between KTC Sarawak and its related parties were as follows:-

	← FYE 30 June →			
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Purchases from:-				
- KTC Sdn Bhd	-	-	19	-
- KTC Brands	-	-	-	607
Interest expense charged by:-				
- KTC Sdn Bhd	-	-	2	37

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.5 Audited Financial Statements of KTC Sarawak (Continued)

8.5.5 Notes to the Audited Financial Statements of KTC Sarawak (Continued)

(q) Capital Commitment

	← As at 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Approved and contracted but not provided for				
- Property, plant and equipment	-	-	94	-
Less : Deposits paid (Note 8.5.5 (h)(ii))	-	-	(28)	-
	-	-	66	-

(r) Financial Instruments

(i) Financial risk management and objectives

KTC Sarawak is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk.

The directors of KTC Sarawak review and agree policies and procedures for the management of these risks.

The following sections provide details regarding KTC Sarawak's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. KTC Sarawak's exposure to credit risk arises primarily from trade and other receivables.

KTC Sarawak's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. KTC Sarawak trades only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that KTC Sarawak's exposure to bad debts is not significant.

Exposure to credit risk

As at 30 June 2015, KTC Sarawak's maximum exposure to the credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 8.5.5 (h).

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



- 8. AUDITED FINANCIAL STATEMENTS (Continued)
- 8.5 Audited Financial Statements of KTC Sarawak (Continued)
- 8.5.5 Notes to the Audited Financial Statements of KTC Sarawak (Continued)
- (r) Financial Instruments (Continued)

- (i) Financial risk management and objectives (Continued)

- (a) Credit risk (Continued)

- Receivables that are neither past due nor impaired

- Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 8.5.5 (h).

- Receivables that are past due but not impaired

- Information regarding trade receivables that are past due but not impaired is disclosed in Note 8.5.5 (h).

- Credit risk concentration profile

- As at 30 June 2015, there was no significant concentration of credit risk in KTC Sarawak.

- (b) Liquidity risk

- Liquidity risk is the risk that KTC Sarawak will encounter difficulty in meeting financial obligations due to shortage of funds. KTC Sarawak's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

- As at 30 June 2015, approximately 68.51% (2012: 16.19%, 2013: 21.53% and 2014: Nil%) of KTC Sarawak's loans and borrowings, as disclosed in Note 8.5.5 (l) and 8.5.5 (m), will mature in less than one year based on the carrying amounts reflected in the statement of financial position.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)
- 8.5 Audited Financial Statements of KTC Sarawak (Continued)
- 8.5.5 Notes to the Audited Financial Statements of KTC Sarawak (Continued)
- (r) Financial Instruments (Continued)
- (i) Financial risk management and objectives (Continued)
- (b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities

The table below summaries the maturity profile of KTC Sarawak's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	On demand or within one year RM'000	One to five years RM'000	Total RM'000
As at 30 June 2012			
Trade and other payables	1,287	-	1,287
Borrowing	36	186	222
Total undiscounted financial liabilities	1,323	186	1,509
As at 30 June 2013			
Trade and other payables	998	-	998
Borrowing	40	146	186
Total undiscounted financial liabilities	1,038	146	1,184
As at 30 June 2014			
Trade and other payables	2,491	-	2,491
Total undiscounted financial liabilities	2,491	-	2,491
As at 30 June 2015			
Trade and other payables	5,877	-	5,877
Hire purchase payables	43	165	208
Borrowings	554	128	682
Total undiscounted financial liabilities	6,474	293	6,767

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)
- 8.5 Audited Financial Statements of KTC Sarawak (Continued)
- 8.5.5 Notes to the Audited Financial Statements of KTC Sarawak (Continued)
- (r) Financial Instruments (Continued)
- (i) Financial risk management and objectives (Continued)
- (c) Interest rate risk

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

KTC Sarawak's exposure to interest rate risk arises primarily from its loans and borrowings and fixed deposits placed with the financial institutions. Most of KTC Sarawak's loan and borrowings are charged a fixed interest rate plus or minus the financial institutions' base lending rate or cost of fund per annum. The fixed interest rate is reviewed annually. Whilst, the base lending rate and cost of fund used by the financial institutions vary according to the rates set by the respective financial institutions. Meanwhile, interest rates charged on hire purchase are fixed at the inception of the hire purchase arrangements. For interest income from cash deposits, KTC Sarawak managed the interest rate risks by placing cash deposits with reputable financial institutions with varying maturities and interest rate terms.

Interest rate sensitivity

The table below demonstrates the sensitivity to a reasonable possible change in interest rates with all other variables held constant, of KTC Sarawak's profit after taxation:-

	Carrying amount RM'000	Movement in basis point	Effects on profit after taxation RM'000
FYE 30 June 2012			
Fixed deposits placed with a licensed bank	248	50	1
Borrowing	222	50	(1)
FYE 30 June 2013			
Borrowing	186	50	(1)
FYE 30 June 2014			
Amount due to a related company	692	50	(3)
FYE 30 June 2015			
Borrowings	676	50	(2)

The profit after taxation will be higher/lower when the interest rates decrease/increase.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. **AUDITED FINANCIAL STATEMENTS (Continued)**
- 8.5 **Audited Financial Statements of KTC Sarawak (Continued)**
- 8.5.5 **Notes to the Audited Financial Statements of KTC Sarawak (Continued)**
- (r) **Financial Instruments (Continued)**
- (ii) **Fair value measurement**

The carrying amounts of financial assets and financial liabilities of KTC Sarawak reasonably approximate their fair values due to the relatively short term nature of these financial instruments except as set out below:-

	Carrying amount RM'000	Fair value RM'000
As at 30 June 2015		
Other Financial Liabilities		
Hire purchase payables	181	164

The fair value of hire purchase payables are categorised as Level 2.

There have been no transfers between Levels 1, 2 and 3 during the FYE 30 June 2015 (2012, 2013 and 2014; no transfer in either directions).

KTC Sarawak does not have any financial assets or financial liabilities measured at Levels 1 and 3 hierarchy.

There were no unrecognised financial instruments as at 30 June 2012, 30 June 2013, 30 June 2014 and 30 June 2015 that are required to be disclosed.

(s) **Capital Management**

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

KTC Sarawak manages its capital structure, and makes adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, KTC Sarawak may adjust dividend payment to shareholders, return capital to shareholders or issue new shares, raise new debts and reduce existing debts.

KTC Sarawak monitors the level of dividends to be paid to shareholders. KTC Sarawak's objective is to pay out regular dividends to the shareholders based on the level of KTC Sarawak's profitability and cash flows.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

**8. AUDITED FINANCIAL STATEMENTS (Continued)****8.5 Audited Financial Statements of KTC Sarawak (Continued)****8.5.5 Notes to the Audited Financial Statements of KTC Sarawak (Continued)****(s) Capital Management (Continued)**

KTC Sarawak monitors capital using a gearing ratio, which is net debts divided by total capital plus net debts. Net debts comprise total borrowings and trade and other payables, less cash and bank balances whilst total capital is the shareholders' funds of KTC Sarawak.

The gearing ratio is as follows:-

	← As at 30 June →			
	2012	2013	2014	2015
	RM'000	RM'000	RM'000	RM'000
Net debts				
Hire purchase payables	-	-	-	181
Borrowings	222	186	-	676
Trade and other payables	1,287	998	2,491	5,877
Less : Cash and bank balances	(701)	(893)	(1,237)	(685)
	808	291	1,254	6,049
Capital				
Equity attributable to owner(s) of KTC Sarawak	2,678	3,469	3,799	3,939
Capital and net debts	3,486	3,760	5,053	9,988
Gearing ratio	23%	8%	25%	61%

There were no changes in KTC Sarawak's approach to capital management during the financial year under review.

KTC Sarawak is not subject to externally imposed capital requirements.

(t) Significant Event Subsequent to the End of the Reporting Period

On 1 July 2015, KTC Consolidated acquired 80% equity interest of KTC Sarawak from KTC Holdings for a total consideration of RM3,038,700 via the issuance of 18,397,030 Shares and 1,198,997 RCPS. As a result, KTC Consolidated becomes the immediate holding company and KTC Holdings becomes the penultimate holding company.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.6 Audited Financial Statements of KTC Brands

8.6.1 Audited Statements of Profit or Loss and Other Comprehensive Income of KTC Brands

The audited statements of profit or loss and other comprehensive income of KTC Brands for the financial period from 8 February 2013 (date of incorporation) to 30 June 2013, FYE 30 June 2014 and FYE 30 June 2015 are as follows:-

		8 February 2013 to 30 June 2013			FYE 30 June	
	Note	RM'000	RM'000	2014 RM'000	2015 RM'000	
Revenue	8.6.5 (a)	-	7,627	7,841		
Cost of sales		-	(7,398)	(7,685)		
Gross profit		-	229	156		
Other income		-	-	*		
Administrative expenses		(12)	(21)	(71)		
(Loss)/profit before taxation	8.6.5 (b)	(12)	208	85		
Income tax expense	8.6.5 (c)	-	(56)	(21)		
Net (loss)/profit for the financial period/year, representing total comprehensive (loss)/income for the financial period/year		(12)	152	64		
<i>Gross profit margin (%)</i>		<i>N/A</i>	<i>3.00</i>	<i>1.99</i>		
<i>Profit before tax margin (%)</i>		<i>N/A</i>	<i>2.73</i>	<i>1.08</i>		
<i>Effective tax rate (%)</i>		<i>-</i>	<i>26.92</i>	<i>24.71</i>		
<i>Weighted average number of ordinary shares in issue</i>		<i>2</i>	<i>2</i>	<i>2</i>		
<i>Gross (LPS)/EPS (RM)</i>		<i>(6.00)</i>	<i>104.00</i>	<i>42.50</i>		
<i>Net (LPS)/EPS (RM)</i>		<i>(6.00)</i>	<i>76.00</i>	<i>32.00</i>		

* RM86

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.6 Audited Financial Statements of KTC Brands (Continued)

8.6.2 Audited Statements of Financial Position of KTC Brands

The audited statements of financial position of KTC Brands as at 30 June 2013, 30 June 2014 and 30 June 2015 are as follows:-

	Note	As at 30 June		
		2013 RM'000	2014 RM'000	2015 RM'000
ASSETS				
Current assets				
Trade and other receivables	8.6.5 (d)	-	1,077	2,673
Tax recoverable		-	-	33
Cash and bank balances	8.6.5 (e)	*	#	2
Total current assets		*	1,078	2,708
TOTAL ASSETS		*	1,078	2,708
EQUITY AND LIABILITIES				
Equity attributable to owner(s) of KTC Brands				
Share capital	8.6.5 (f)	*	*	*
(Accumulated losses)/Retained earnings	8.6.5 (g)	(12)	140	204
Total equity		(12)	140	204
Current liabilities				
Trade and other payables	8.6.5 (h)	12	882	2,504
Current tax liabilities		-	56	-
Total liabilities		12	938	2,504
TOTAL EQUITY AND LIABILITIES		*	1,078	2,708
<i>Number of ordinary shares in issue of RM1.00 each</i>				
		2	2	2
<i>(NTL)/NTA (RM'000)</i>		(12.00)	140.00	204.00
<i>(NTL)/NTA per ordinary share (RM)</i>		(6.00)	70.00	102.00
<i>(NL)/NA (RM'000)</i>		(12.00)	140.00	204.00
<i>(NL)/NA per ordinary share (RM)</i>		(6.00)	70.00	102.00

* RM2

RM447

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.6 Audited Financial Statements of KTC Brands (Continued)

8.6.3 Audited Statements of Changes in Equity of KTC Brands

The audited statements of changes in equity of KTC Brands for the financial period from 8 February 2013 (date of incorporation) to 30 June 2013, FYE 30 June 2014 and FYE 30 June 2015 are as follows:-

	Share Capital RM'000	<u>Distributable</u> (Accumulated Losses)/ Retained Earnings RM'000	Total Equity RM'000
Balance at 8 February 2013 (Date of incorporation)	*	-	*
Total comprehensive loss for the financial period	-	(12)	(12)
Balance at 30 June 2013	*	(12)	(12)
Total comprehensive income for the financial year	-	152	152
Balance at 30 June 2014	*	140	140
Total comprehensive income for the financial year	-	64	64
Balance at 30 June 2015	*	204	204

* RM2

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.6 Audited Financial Statements of KTC Brands (Continued)

8.6.4 Audited Statements of Cash Flows of KTC Brands

The audited statements of cash flows of KTC Brands for the financial period from 8 February 2013 (date of incorporation) to 30 June 2013, FYE 30 June 2014 and FYE 30 June 2015 are as follows:-

	8 February 2013		
	to 30 June 2013 RM'000	FYE 30 June 2014 RM'000	2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before taxation	(12)	208	85
Adjustment for:			
Interest income	-	-	!
Operating profit before working capital changes	(12)	208	85
Changes in working capital			
Receivables	-	(1,077)	(1,632)
Payables	1	851	1,471
Cash used in operations	(11)	(18)	(76)
Interests received	-	-	>
Income tax paid	-	-	(110)
Net Operating Cash Flows	(11)	(18)	(186)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net change in amounts due to related companies	8	18	191
Net change in amount due to a director	3	^	(4)
Net Financing Cash Flows	11	18	187
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	#	1
CASH AND CASH EQUIVALENTS AT THE DATE OF INCORPORATION/BEGINNING OF THE FINANCIAL YEAR	*	*	@
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD/YEAR (Note 8.6.5 (e))	*	@	2

* RM2 ^ RM500 # RM445 @ RM447 ! (RM86) > RM86

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.6 Audited Financial Statements of KTC Brands (Continued)

8.6.5 Notes to the Audited Financial Statements of KTC Brands

(a) Revenue

Revenue represents invoiced value of goods sold, net of sales returns and trade discounts.

(b) (Loss)/Profit Before Taxation

(Loss)/profit before taxation is arrived at:-

	8 February 2013 to 30 June 2013 RM'000	FYE 30 June 2014 RM'000	2015 RM'000
After charging:-			
Auditors' remuneration			
- current financial years	1	2	6
- underaccrual in prior financial years	-	-	2
And crediting:-			
Interest income	-	-	*
* RM86			

(c) Income Tax Expense

	8 February 2013 to 30 June 2013 RM'000	FYE 30 June 2014 RM'000	2015 RM'000
Income tax:-			
- current financial period/year	-	56	22
- overprovision in prior financial years	-	-	(1)
	-	56	21

The income tax rate applicable to SME incorporated in Malaysia with paid-up capital of RM2,500,000 and below is subject to the statutory rate of 20% on chargeable income up to RM500,000. For chargeable income in excess of RM500,000, statutory tax rate of 25% (2013 and 2014: 25%) is still applicable.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.6 Audited Financial Statements of KTC Brands (Continued)

8.6.5 Notes to the Audited Financial Statements of KTC Brands (Continued)

(c) Income Tax Expense (Continued)

During the FYE 30 June 2015, KTC Brands is not entitled for SME income tax rate as the issued and paid-up share capital of KTC Holdings is more than RM2,500,000.

The reconciliation of income tax expense applicable to (loss)/profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of KTC Brands is as follows:-

	8 February 2013 to 30 June 2013 RM'000	FYE 30 June 2014 RM'000	2015 RM'000
(Loss)/profit before taxation	(12)	208	85
Tax at statutory tax rate of 25% (2013 and 2014: 25%)	(3)	52	21
Tax effects arising from:-			
- non-deductible expenses	3	4	1
- overprovision in prior financial year	-	-	(1)
Tax expense for the financial period/year	-	56	21

(d) Trade and Other Receivables

	← 2013 RM'000	As at 30 June 2014 RM'000	2015 RM'000 →
Trade receivables	-	1,077	2,540
Other receivables	-	-	5
Prepayments	-	-	128
	-	-	133
Total trade and other receivables	-	1,077	2,673
Add: Cash and bank balances (Note 8.6.5 (e))	*	@	2
Less: Prepayments	-	-	(128)
Total loans and receivables	*	1,077	2,547

* RM2

@ RM447

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.6 Audited Financial Statements of KTC Brands (Continued)

8.6.5 Notes to the Audited Financial Statements of KTC Brands (Continued)

(d) Trade and Other Receivables (Continued)

Trade Receivables

KTC Brands's normal trade credit terms ranges from 30 days to 60 days (2013: Nil and 2014: 30 days to 60 days). Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values at initial recognition.

Trade receivables represent the amounts due from related companies.

The ageing analysis of trade receivables are as follows:-

	←	As at 30 June	→
	2013	2014	2015
	RM'000	RM'000	RM'000
Neither past due nor impaired	-	1,077	1,485
Past due but not impaired:-			
1 to 30 days past due but not impaired	-	-	650
31 to 60 days past due but not impaired	-	-	25
61 to 90 days past due but not impaired	-	-	148
More than 90 days past due but not impaired	-	-	232
	-	-	1,055
	-	1,077	2,540

Receivables that are neither past due nor impaired

The directors of KTC Brands are of the opinion that no impairment loss is necessary in respect of these not past due trade receivables as these trade receivables are within trade credit terms.

Receivables that are past due but not impaired

The balances of trade receivables that are past due but not impaired, representing approximately 41.56% (2013 and 2014: Nil%) of KTC Brands's trade receivables are unsecured in nature.

The management has a credit procedure in place to monitor and minimise the exposure of default. The directors of KTC Brands are of the opinion that no impairment loss is necessary in respect of these past due trade receivables.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
 Accountants' Report


8. AUDITED FINANCIAL STATEMENTS (Continued)

8.6 Audited Financial Statements of KTC Brands (Continued)

8.6.5 Notes to the Audited Financial Statements of KTC Brands (Continued)

(e) Cash and Cash Equivalents

Cash and cash equivalents comprise the following:-

	←	As at 30 June	→
	2013 RM'000	2014 RM'000	2015 RM'000
Cash in hand	*	*	*
Cash at banks	-	#	2
	*	@	2

* RM2

RM445

@ RM447

(f) Share Capital

	←	As at 30 June	→
	2013 RM'000	2014 RM'000	2015 RM'000
Ordinary shares of RM1.00 each:-			
Authorised:-			
At the date of incorporation/beginning/at the end of the financial period/year	100	100	100
Issued and fully paid-up:-			
At the date of incorporation/beginning/at the end of the financial period/year	*	*	*

* RM2

(g) (Accumulated Losses)/Retained Earnings

The entire retained earnings of KTC Brands is available for distribution as single-tier dividends.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report

8. AUDITED FINANCIAL STATEMENTS (Continued)

8.6 Audited Financial Statements of KTC Brands (Continued)

8.6.5 Notes to the Audited Financial Statements of KTC Brands (Continued)

(h) Trade and Other Payables

	←	As at 30 June	→
	2013 RM'000	2014 RM'000	2015 RM'000
Trade payables	-	848	2,268
Other payables			
Other payables	-	-	11
Accruals	1	4	8
	1	4	19
Amount due to a director	3	4	-
Amount due to related companies	8	26	217
Total trade and other payables/other financial liabilities carried at amortised cost	12	882	2,504

(i) Trade payables

The normal trade credit terms granted to KTC Brands ranges from 30 days to 45 days (2013: Nil and 2014: 30 days).

(ii) Amount due to a director

The amount due to a director was non-trade in nature, unsecured, interest-free and repayable upon demand.

(iii) Amounts due to related companies

The amount due to related companies are non-trade in nature, unsecured, interest-free and repayable upon demand.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.6 Audited Financial Statements of KTC Brands (Continued)

8.6.5 Notes to the Audited Financial Statements of KTC Brands (Continued)

(i) Significant Related Party Disclosures

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with KTC Brands or that has an interest in KTC Brands that gives it significant influence over KTC Brands's financial and operating policies. It also includes members of key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in KTC Brands resides with, directly or indirectly.

The nature of the relationships with the related parties are as follows:-

Name of Related Parties	Nature of Relationship
KTC Capital	Ultimate holding company
KTC Holdings	Immediate holding company
KTC Sdn Bhd	A related company *
KTC Tawau	A related company *
KTC Distribution	A related company
KTC Sarawak	A related company

* On 18 March 2013, KTC Brands became a wholly-owned subsidiary company of KTC Holdings. Prior to this date, the relationship between KTC Brands and its related parties were that of companies in which the directors have interests.

Other than disclosed elsewhere in the financial statements, the significant related party transactions during the financial period/years between KTC Brands and its related parties were as follows:-

	8 February 2013		FYE 30 June	
	30 June 2013		2014	2015
	RM'000		RM'000	RM'000
Sales to:-				
- KTC Sdn Bhd	-		6,462	-
- KTC Tawau	-		1,165	153
- KTC Distribution	-		-	7,081
- KTC Sarawak	-		-	607

No key management personnel remuneration is disclosed as there were no key management personnel other than the directors of KTC Brands.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.6 Audited Financial Statements of KTC Brands (Continued)

8.6.5 Notes to the Audited Financial Statements of KTC Brands (Continued)

(j) Financial Instruments

(i) Financial risk management and objectives

KTC Brands is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk and liquidity risk.

The directors of KTC Brands review and agree policies and procedures for the management of these risks.

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

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. KTC Brands's exposure to credit risk arises primarily from trade and other receivables.

KTC Brands's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. KTC Brands trades only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that KTC Brands's exposure to bad debts is not significant.

Exposure to credit risk

As at 30 June 2015, KTC Brands's maximum exposure to the credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 8.6.5(d).

Receivables that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 8.6.5(d).

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)
- 8.6 Audited Financial Statements of KTC Brands (Continued)
- 8.6.5 Notes to the Audited Financial Statements of KTC Brands (Continued)
- (j) Financial Instruments (Continued)
- (i) Financial Risk Management and Objectives (Continued)

(a) Credit risk (Continued)

Receivables that are past due but not impaired

Information regarding trade receivables that are past due but not impaired is disclosed in Note 8.6.5(d).

Credit risk concentration profile

As at 30 June 2015, all of KTC Brands's trade receivables were due from related companies.

(b) Liquidity risk

Liquidity risk is the risk that KTC Brands will encounter difficulty in meeting financial obligations due to shortage of funds. KTC Brands's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

As at 30 June 2015, all of KTC Brands's financial liabilities, as disclosed in Note 8.6.5(h) will mature in less than one year based on the carrying amounts reflected in the statement of financial position.

(ii) Fair value measurement

The carrying amounts of cash and cash equivalents, short term receivables and payables reasonably approximate to their fair values due to the relatively short term nature of these financial instruments.

There have been no transfers between Levels 1, 2 and 3 during the financial year (2013 and 2014: no transfer in either direction).

KTC Brands does not have any financial assets or financial liabilities measured at Levels 1, 2 and 3 hierarchy.

There were no unrecognised financial instruments as at 30 June 2013, 30 June 2014 and 30 June 2015 that are required to be disclosed.

13. ACCOUNTANTS' REPORT (Cont'd)

KIM TECK CHEONG CONSOLIDATED BERHAD
Accountants' Report



8. AUDITED FINANCIAL STATEMENTS (Continued)

8.6 Audited Financial Statements of KTC Brands (Continued)

8.6.5 Notes to the Audited Financial Statements of KTC Brands (Continued)

(k) Capital Management

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

KTC Brands manages its capital structure, and make adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, KTC Brands may adjust dividend payment to shareholders, return capital to shareholders or issue new shares, raise new debts and reduce existing debts.

KTC Brands monitors the level of dividends to be paid to shareholders. KTC Brands's objective is to pay out regular dividends to the shareholders based on the level of KTC Brands's profitability and cash flows.

KTC Brands monitors capital using a gearing ratio, which is net debts divided by total capital plus net debts. Net debts comprise trade and other payables, less cash and bank balances whilst total capital is the shareholders' funds of KTC Brands.

The gearing ratio is as follows:-

	←	As at 30 June	→
	2013	2014	2015
	RM'000	RM'000	RM'000
Net debts			
Trade and other payables	12	882	2,504
Less : Cash and bank balances	*	@	(2)
	12	882	2,502
Capital			
Equity attributable to owner(s) of KTC Brands	(12)	140	204
Capital and net debts	-	1,022	2,706
Gearing ratio	N/A	86%	92%

* (RM2)

@ (RM447)

There were no changes in KTC Brands's approach to capital management during the financial period/year under review.

KTC Brands is not subject to externally imposed capital requirements.