



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

2016

ANNUAL REPORT



ABOUT KIM TECK CHEONG

Equipped with over 79 years of industry experience, the business has been successfully managed by the Lau family and it continues to expand its business presence and branding throughout East Malaysia and Brunei.

Today, Kim Teck Cheong ("KTC") is a first tier provider of market access and coverage in distribution of Consumer Package Goods ("CPG") in East Malaysia with 7,087 sales and distribution points covering over 84 districts. KTC's core business focuses on providing market access and coverage of CPG including Food and Beverage ("F&B"), personal care, household, baby care, LED and conventional lighting, plastic food packaging products, Over-The-Counter ("OTC") drugs and health supplements.





COVER VISIONARY

79 YEARS OF CORPORATE LEGACY & ACHIEVEMENTS

KTC is constantly evolving, pushing its limits and reaching for the skies. KTC sets its own benchmarks. From a young boy who journeyed from China with nothing but a dream and sheer determination; From a visionary who braved through all challenges and transformed a humble retailer to a distribution business; From the scion of the third generation to listing the company and expanding its business territories beyond Sabah – Kim Teck Cheong continues its legacy and achievements to reach beyond limits.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Tan Jwee Peng
Senior Independent Non-Executive Director

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

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

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

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

Lim Hui Kiong
Non-Independent Executive Director

Wee Hock Kee
Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Chairman
Wee Hock Kee

Member
Tan Jwee Peng

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

REMUNERATION COMMITTEE

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

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

Wee Hock Kee

NOMINATION COMMITTEE

Chairman
Tan Jwee Peng

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

Wee Hock Kee

COMPANY SECRETARY

Wong Youn Kim (MAICSA 7018778)

REGISTERED OFFICE

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

HEAD OFFICE

Lot 73, Jalan Kilang
SEDCO Light Industrial Estate
Mile 5 ½ Jalan Tuaran
88450 Kota Kinabalu
Sabah, Malaysia
Tel : +6013 811 0111
Fax : +603 2727 3311
Email : info@kimteckcheong.com
Website : www.kimteckcheong.com

AUDITORS

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

ADMISSION SPONSOR

RHB Investment Bank Berhad (19663-P)
Level 9, Tower One
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Wilayah Persekutuan
Tel : +603 9287 3888
Fax : +603 9287 2233/3355/4770

REGISTRAR

Tricor Investor & Issuing House
Services Sdn Bhd (11324-H)
Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No.8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia
Tel : +603 2783 9299
Fax : +603 2783 9222

PRINCIPAL BANKERS

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

INVESTOR RELATIONS

Imej Jiwa Communications Sdn Bhd
(1022448-X)
Unit 28-7, Oval Tower Damansara
No. 685, Jalan Damansara
60000 Kuala Lumpur
Tel : +603 7733 7752
Fax : +603 7733 7752

STOCK EXCHANGE

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

CORPORATE STRUCTURE



KIM TECK CHEONG CONSOLIDATED BERHAD



100%

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

100%

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

100%

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

100%

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

100%

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

80%

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

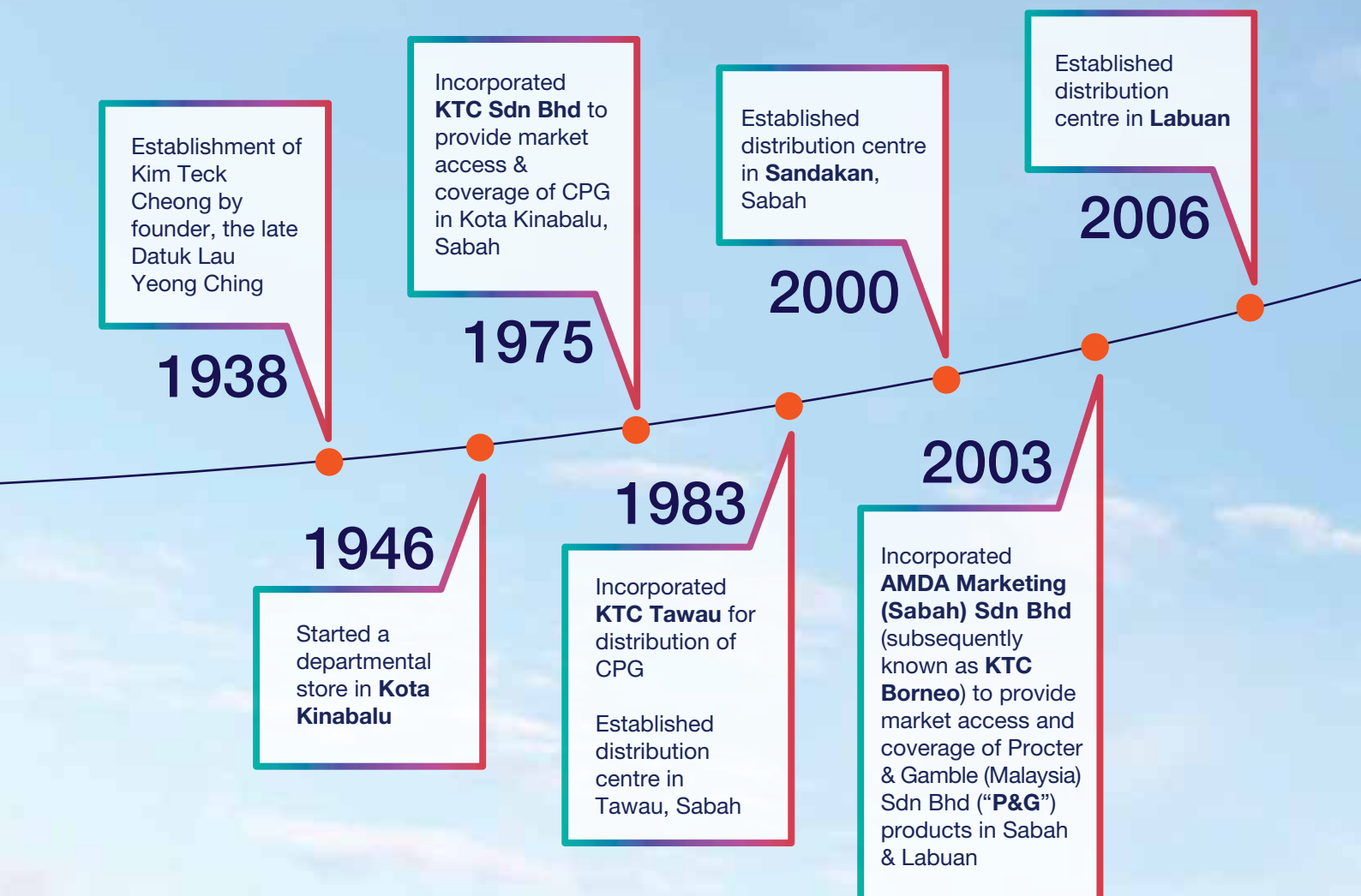
100%

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

100%

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

CORPORATE MILESTONES



*CPG: Consumer Packaged Goods



BOARD OF DIRECTORS



From left to right:

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



BOARD OF DIRECTORS

cont'd



Y. BHG. DATUK DELEON QUADRA @ KAMAL QUADRA

Independent Non-Executive Chairman

Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra was appointed to the Board as Independent Non-Executive Director on 2 December 2014. He graduated with Bachelor of Arts at the University of Otago, New Zealand in 1969 and obtained both a Master of Arts from University of Auckland and Diploma in Teaching from the Auckland Teachers College in 1971. Subsequently, he completed an Advanced Course in Educational Development in 1987 from Stanford University, USA and an Advanced Course in Curriculum Development in 1991 from the Institute of Education, University of London, United Kingdom.

He became the Principal Assistant Director at the Department of Education, Kota Kinabalu in 1976 and was appointed as Director of Education, Sabah in 2000.

He was a member of the advisory panel of the Department of National Unity and Integration of the Prime Minister Department, Malaysia from 2004 until 2008. Subsequently, he became a panellist for the National Dialogue on the Malaysian Education System Review until 2012. He has been a member of the Malaysian Examinations Council consecutively for four terms since 2004. During this tenure, he has been participating in the Disciplinary Appeal Board, a portfolio assigned to him under the Malaysian Examinations Council.



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

Non-Independent Managing Director

Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing was appointed to the Board as Non-Independent Managing Director on 17 October 2014. He completed his high school education in 1965. Prior to founding KTC Sdn Bhd, he joined Kim Teck Cheong Enterprise, a family owned departmental store situated in Kota Kinabalu. Subsequently in 1967, he was responsible for the day-to-day management of the business and later, he took over the operation in 1973.

In 1975, he was involved in setting up KTC Sdn Bhd which provide market access and coverage of third party brands of personal care products namely skin care products in Sabah.

In 1983, he co-founded KTC Tawau with his brother-in-law, Lim Hui Kiong. In 2003, he established AMDA Marketing (Sabah) Sdn Bhd (now known as KTC Borneo).

Currently, he is an overseas committee member of the All-China Federation of Returned Overseas Chinese, Beijing, People's Republic of China. He is the National Vice President of the Malaysia-China Chamber of Commerce and President of Sabah chapter of the Malaysia-China Chamber of Commerce.

He is also the Honorary Life President of the United Sabah Chinese Communities Association, Kota Kinabalu Hokkien Association and Sabah Ann Koai Association, an Honorary Advisor for the Kota Kinabalu Journalists Association.

BOARD OF DIRECTORS

cont'd



**Y.A.M. TENGKU DATIN PADUKA SETIA ZATASHAH
BINTI SULTAN SHARAFUDDIN IDRIS SHAH**

Independent Non-Executive Director

Y.A.M Tengku Datin Paduka Setia Zatashah Binti Sultan Sharafuddin Idris Shah was appointed to the Board as Independent Non-Executive Director on 2 December 2014. She graduated with a Bachelor of Arts (Honours) in Spanish with French Studies at Middlesex University, United Kingdom in 1997. Subsequent to that, she attained the Certificate of Language and French Civilisation at Sorbonne University in 2001.

She started her career at 1995 in BDDP Barcelona, an advertising agency. In 1996, she moved to a Front Desk Management role in Ascott Hotel, London. She return to Malaysia in 2001 and joined New Straits Times as journalist. She returned to France in 2004 and joined L'Oreal SA in France as its International Corporate Communications Manager.

In 2009, she co-founded Originalo Sdn Bhd. She was also a contributing writer for The Edge Malaysia between 2009 and 2010 and is currently a contributing writer for The Peak Malaysia's "Jetsetter" and "Design Diary" columns since 2012. She was elected as the Vice President of Alliance Francaise de Kuala Lumpur in 2010 and subsequently President in 2012 a role she still holds to date. Currently, she is the Chairman and CEO of Light Cibles Sdn Bhd and Senior Advisor to Bell Pottinger Malaysia. She is also a director of several private limited companies.



Y. BHG. DATIN LIM FOOK LEN @ LIM SU CHIN

Non-Independent Non-Executive Director

Y. Bhg. Datin Lim Fook Len @ Lim Su Chin was appointed to the Board as Non-Independent Non-Executive Director on 2 December 2014. She obtained a Diploma in Executive Secretary & Management at West London College in 1976.

She joined Kumpolan Sabah Sdn Bhd as a Marketing Manager in 1977. Thereafter, she joined KTC Sdn Bhd in 1978 as a Senior Manager responsible for the administrative and supply chain operations. Since then, she has been with our Group. In 1983, she assisted in the setting-up of KTC Tawau and was subsequently promoted to the position of Director in KTC Tawau in 1989. Between 1989 and 1997, she assisted in the operations of KTC Sdn Bhd and KTC Tawau in the area of supply chain management. Since 1997 until 2012, she has been assisting in supervising and managing the operations of our Group on an informal and ad-hoc basis.

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

BOARD OF DIRECTORS

cont'd



LAU WEI DICK @ DEXTER DICK LAU

Non-Independent Executive Director

Lau Wei Dick was appointed to the Board as Non-Independent Executive Director on 17 October 2014. He obtained his Bachelor of Law from the University of Kent, Canterbury, United Kingdom in 2001 and he completed the Bar Vocational Course at the Inns of Court School of Law, and was subsequently, called to the Bar of England and Wales as a member of Lincoln's Inn of the United Kingdom in 2002.

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

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



LIM HUI KIONG

Non-Independent Executive Director

Lim Hui Kiong was appointed to the Board as Non-Independent Executive Director on 2 December 2014. He is currently responsible for managing the day-to-day operations of KTC Tawau.

He completed his high school education in 1977 and he started his career as a Sales Representative at Kilat Jaya, a company involved in wholesale distribution. He then furthered his O-levels at Tresham College of Further and Higher Education, United Kingdom in 1979.

Thereafter in 1981, he joined Diethelm (M) Sdn Bhd (now known as DKSH Malaysia Sdn Bhd) as a Sales Representative in 1982. In 1983, he left Diethelm (M) Sdn Bhd and co-founded KTC Tawau with Datuk Lau. He played a key role in growing the company by focusing on providing market access and coverage of CPG products in Tawau, Semporna, Lahad Datu and Kunak. He was instrumental in building up the network of suppliers and customers particularly in Tawau, Semporna, Lahad Datu and Kunak. In 2013, he was appointed as a director in KTC Sarawak. He has since accumulated over 30 years of experience in the wholesale distribution industry.

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

BOARD OF DIRECTORS

cont'd



WEE HOCK KEE

Independent Non-Executive Director

He graduated in 1985 with the Association of Chartered Certified Accountant ("ACCA") from Emile Woolf College London and was qualified by the Malaysian Institute of Accountant ("MIA") as a Chartered Accountant in 1989. He became a Chartered Fellow of Institute of Internal Auditors ("IIA") Malaysia in 2006. He is currently a Fellow Member of the ACCA. He has also obtained a Certified Risk Management Assurance (United States) in 2012.

He began his career as an Internal Auditor in 1985 in Fraser & Neave Holdings Berhad before leaving in 1987 to join ICI Holdings (M) Sdn Bhd where he held the position of Audit Manager. He left ICI Holdings (M) Sdn Bhd in 1992 and was attached with

Guinness Anchor Berhad in the same year. In 1994, he joined Cycle and Carriage Singapore and spent 2 years working in the company as the Chief Internal Auditor for the group. He subsequently joined Karambunai Resorts Berhad and served as a Special Assistant to the Group Chief Executive Officer from year 1995 until 1998. Within a span of 20 years in internal audit, he rose to the position of Regional Audit Director in AstraZeneca Plc ("AZ") for Asia Pacific, Middle East and Africa in mid-1998 until 2005. As part of the AZ group internal audit global senior management team, he was responsible for developing and charting the AZ group's governance strategy. In 2005, he decided to dedicate his efforts to public practice and promote internal audit by assuming the driver-seat in CG Board Asia Pacific Sdn Bhd.

He was the President of IIA Malaysia from 2004 to 2006 and President of Asian Confederation of IIA from 2006 to 2007, and board member of IIA Global from 2005 to 2007. He was also a member of ACCA Malaysia's Advisory Committee from 2002 to 2006 and a Chairman of the Internal Audit Working Group of MIA in 2007. He was the Chairman of the 2011 IIA International Conference in Kuala Lumpur. He won the Malaysian Internal Auditor of the Year Award in 2001 and was a speaker and chaired numerous international, regional and national conferences organised by professional bodies throughout the span of his career in internal audit. He is currently engaged by Bursa Malaysia for Audit Committee Workshop on Risk Management & Internal Control. He was involved with National Institute of Empowerment Women (NIEW) and Malaysia Directors Academy (MINDA) for the Women Directors' Onboarding Training Programme. He was recently engaged by Securities Industry Development Corporation (SIDC) for Capital Market Directors Programme (CMDP). He is a Research Fellow in HELP University. Apart from consulting, he is the Founder/CEO of BacktoHealth (M) Sdn Bhd, a healthcare company involved in physiotherapy rehabilitation in Malaysia.

He was an independent director of Ideal Jacobs (Malaysia) Corporation Bhd, an ACE Market listed company from 2010 until 2013. In July 2016 he was he was appointed a board member of MIMOS Berhad.

He is also a director of several private limited companies.



TAN JWEE PENG

Senior Independent Non-Executive Director

Tan Jwee Peng was appointed to the Board as Senior Independent Non-Executive Director on 3 December 2014. He graduated with a Bachelor of Law degree with Honours from the University of Buckingham, England in 1982. He became a member of Lincoln's Inn of the United Kingdom and was called to the Bar of England and Wales in 1983. He was also admitted to practise in the Supreme Court of the Australian Capital Territory and the High Court of Australia in 1990.

In 1984, he was called to the High Court in Sabah and Sarawak as an Advocate and Solicitor. In the same year, he started his career as a legal assistant in Jayasuriya Kah & Co and subsequently became a partner in 1986. He is currently the Managing Partner of Jayasuriya Kah & Co.

He is a member of the Sabah Law Association and served as its President for three (3) terms from 1999 to 2003. From 2002 to 2003, he was the Chairman of the Board of Visiting Justices for Kota Kinabalu Prisons.

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

THE HERITAGE



The story of Kim Teck Cheong began in 1910's, when a little boy by the name of Lau Yeong Ching, embarked on a voyage that would change his life and future generations to come. At the age of eight, Datuk Lau Yeong Ching journeyed across the ocean with his father from their hometown in the Fujian Province of China to the island of Borneo.

As an ambitious young man who wanted to support his new family, he decided to start a small retail business. He wanted the business to be guided by strong values and noble principles. Hence, he named it Kim Teck Cheong (金德昌) to epitomize his dreams and visions of leading a success business with a solid foundation of strong values and noble principles.

It was a challenge and an uphill battle, but the hard work, relentless focus and perseverance of the late Datuk Lau came to fruition when he expanded his business by starting a departmental store in Kota Kinabalu, Sabah in 1946.

Datuk Lau Yeong Ching was a visionary. He continued to focus and work on his business, embrace the successes, learn from his mistakes and he never became complacent. In the mid 1960s, the young Datuk Lau Kok Sing joined his family business taking care of the daily operations and learning the ropes from the bottom and successfully took over the baton from his father. In 1973, businesses was hit with the oil crises, which affected Kim Teck Cheong's business growth.

Datuk Lau Kok Sing realised that he had to devise a new business strategy in order to overcome the economic challenge. Armed with a new game plan, he converted the prominent retail outlet to a

fast moving consumer goods distribution and trading business, which also involved logistic management. Under Datuk Lau Kok Sing's leadership, he managed to secure several major distributorships, further exemplifying the company as a major player within the industry and business expanded beyond Kota Kinabalu.

In order to continue to command a competitive edge, Kim Teck Cheong began to explore the distribution business, involved in providing market access for brands producing consumer-packaged goods. In 1975, Kim Teck Cheong Sdn Bhd was set up to corporatize the existing business.

In 2003, noting that a family successor was to be continued within its family business in time to come; Datuk Lau Yeong Ching and Datuk Lau Kok Sing both welcomed the third generation of the family, Lau Wei Dick into the business. Lau Wei Dick was a barrister-in-law. He was forward thinking and passionate like his grandfather; prudent and strategic like his father.

In order to have a clear understanding of the business, Lau Wei Dick worked from the ground up, learning the ropes of the business. He restructured the company through business process improvements, in order to consistently deliver results and performances. Following his vision, Lau Wei Dick rebranded the company and transformed Kim Teck Cheong into a dynamic and progressive organization that attracts and utilizes high calibre employees.

Today, Kim Teck Cheong has expanded beyond Sabah to its neighbouring state, Sarawak and is taking a global step outreaching to Brunei and soon beyond. Kim Teck Cheong has become a preferred and ambitious choice of career within the industry, as well as an ideal business partner to suppliers and customers nationwide.

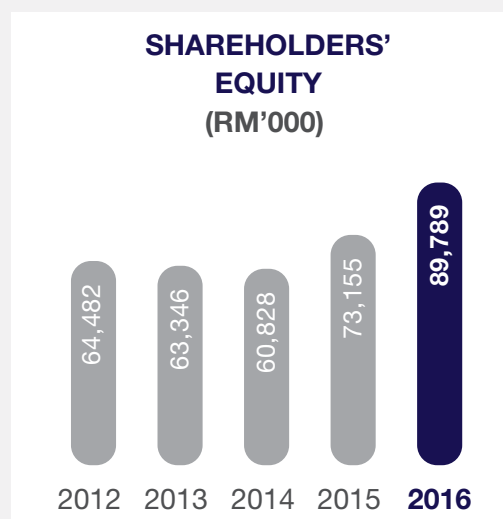
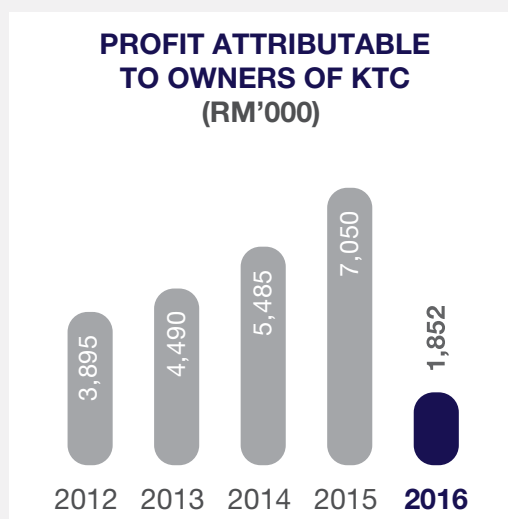
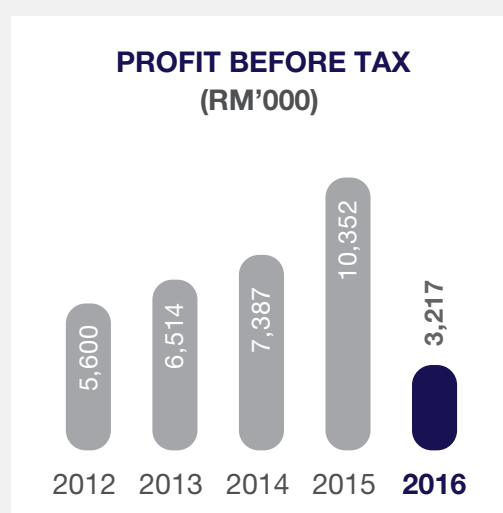
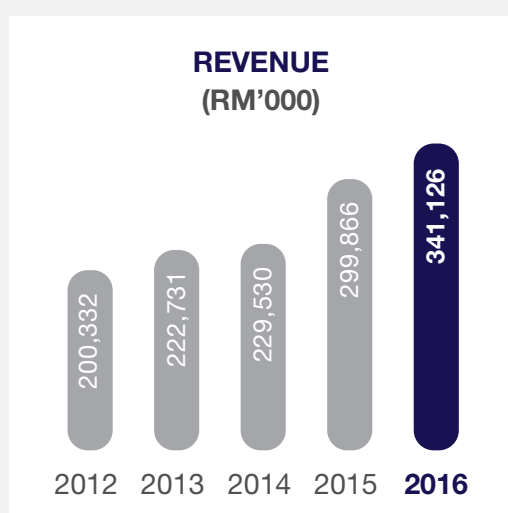


FINANCIAL HIGHLIGHTS

Financial Year Ended ("FYE") 30 June	Proforma Group				Audited
	2012	2013	2014	2015	2016
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	200,332	222,731	229,530	299,866	341,126
Profit before tax	5,600	6,514 ⁽¹⁾	7,387	10,352	3,217
Profit attributable to owners of KTC	3,895	4,490 ⁽¹⁾	5,485	7,050	1,852
Shareholders' equity	64,482	63,346	60,828	73,155	89,789

Notes:

- (1) Excluding net fair value adjustment on assets held for distribution of RM7.09 million.
- (2) The financial results for the FYE 30 June 2011 to FYE 30 June 2015 are based on proforma results as disclosed in the Prospectus of Kim Teck Cheong Consolidated Berhad's ("KTC" or "the Company") dated 28 October 2015.



BRAND PORTFOLIO

“A **FIRST TIER** provider of market access and coverage in the distribution of consumer packaged goods in **East Malaysia**”

7,087 sales and distribution points covering over 84 districts. Focus on providing market access and coverage of over 208 brands for 38 brand owners.



DISTRIBUTION

Supported by a total of 21 distribution centres in Sabah, Sarawak and Labuan.



MANUFACTURING

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



HOUSE BRANDS

Bakery products and soya milk - **Creamos**
Beverage, chilled, frozen and dry foods - **Orie**

BRAND PORTFOLIO

cont'd





CHAIRMAN'S STATEMENT

**Y. BHG. DATUK DELEON QUADRA
@ KAMAL QUADRA**

DEAR VALUED SHAREHOLDERS

As the Chairman of Kim Teck Cheong Consolidated Berhad ("KTC" or "the Group"), I am pleased to present to you the Group's first Annual Report and Audited Financial Statements for the financial year ended ("FYE") 30 June 2016, as a public listed company on Bursa Malaysia Securities Berhad ("Bursa Malaysia").

CHAIRMAN'S STATEMENT

cont'd

KTC was listed on the ACE Market of Bursa Malaysia on the 25 November 2015. KTC's debut on the Bursa Malaysia definitely marked a historical achievement for the 3 generation family business that was founded nearly 80 years ago. Since the establishment of KTC in 1938, a business which started as a sole proprietorship by its founder, the late Y. Bhg. Datuk Lau Yeong Ching, has now expanded into a first tier provider of market access and coverage in distribution of CPG in East Malaysia.

KTC's listing exercise has taken us to the next level of the Group's long-term strategic plan. It has imminently raised the Group's corporate profile and brand recognition across our industry that has and will generate further expansion opportunities in Borneo Malaysia. However, it is to be acknowledged that the listing makes up only part of the Group's success and that KTC's grounded business and sustainability is driven by the Group's operating fundamentals and team of expertise.

PERFORMANCE SUMMARY

The Group's FYE 30 June 2016 twelve-month performance reported a revenue of RM341.13 million and a profit after tax of RM1.93 million.

There are no comparative figures for the preceding financial year as this is the first consolidated results being announced by the Group in compliance with the ACE Market Listing Requirements of Bursa Malaysia.

Since the Listing of the Group, the Board, together with Management have been working in line with our planned expansion and growth activities focused in expanding our distribution and manufacturing business. During the calendar year of 2016, we have been aggressively expanding our distribution and warehousing capacity up to 356,531 square feet. We have also been working on a few of acquisitions namely Grandtop Marketing Sdn Bhd, Popular Trading and Trans Paint Sdn Bhd. The acquisition of Grandtop Marketing Sdn Bhd will take the Group's business footprint to Brunei, which will be KTC's first business venture outside of East Malaysia. Upon the completion of acquiring Grandtop Marketing Sdn Bhd, the company will provide a strong extension to KTC's business with its ready infrastructure of warehousing facilities and immediate market access to 600 distribution points throughout Brunei.

MOVING FORWARD

We will continue to drive our core business focus in the distribution of CPG of third party brands within East Malaysia but of course without disregarding any worthy business opportunities that may present itself outside of our arena.

The Malaysian economy has presented a testing environment over the last couple of years with various elements affecting the strength of consumer spending and the Malaysian ringgit. However, with that said KTC have been progressing along with its long-term business plans to continue its growth and in achieving its corporate vision - in eventually building its business network and infrastructure across Borneo.

CORPORATE GOVERNANCE

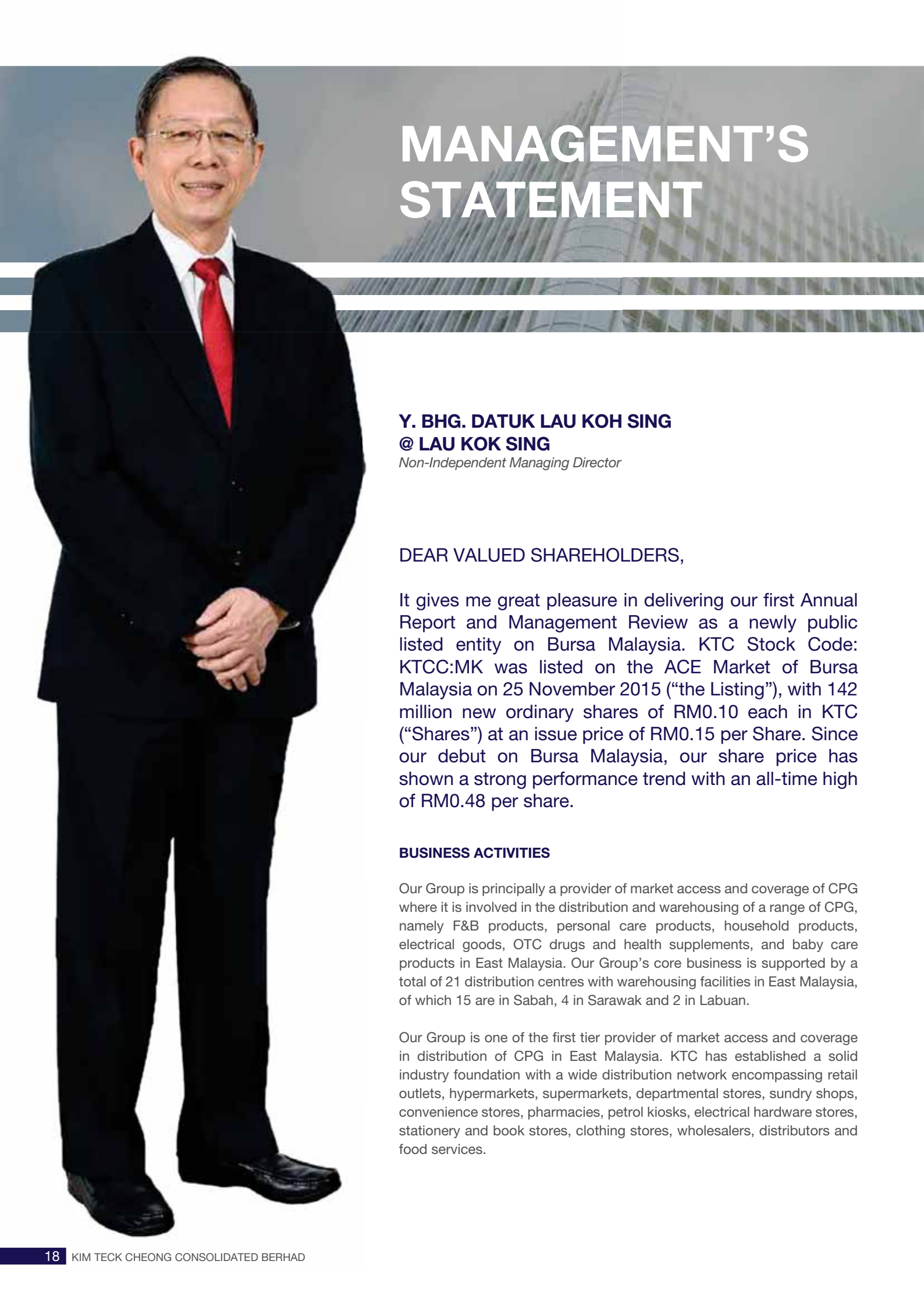
The Group strives to maintain a high level of corporate governance and transparency at all levels in order to ensure the continued healthy growth of the Group. Since the beginning, our founder the late Datuk Lau Yeong Ching had embodied in his dreams and visions of leading a successful business with a solid foundation of strong values and noble principles, hence the name Kim ("金") Prosperity, Teck ("德") Moral Principles and Cheong ("昌") Expansion .

This strong business philosophy of achieving business success and continuity through integrity and ethical business practices continues to be the foundation of the Group's continued business success.

APPRECIATION

The efforts in a challenging year has resulted in the success of the Group's listing and business growth. On behalf of the Board, I would like to take this opportunity to express our sincere gratitude to our employees, stakeholders, business partners, bankers, advisers and our clients who have contributed towards the success of our Group. We will continue to work relentlessly to continue and sustain the momentum of KTC's success in moving forward.

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



MANAGEMENT'S STATEMENT

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

Non-Independent Managing Director

DEAR VALUED SHAREHOLDERS,

It gives me great pleasure in delivering our first Annual Report and Management Review as a newly public listed entity on Bursa Malaysia. KTC Stock Code: KTCC:MK was listed on the ACE Market of Bursa Malaysia on 25 November 2015 (“the Listing”), with 142 million new ordinary shares of RM0.10 each in KTC (“Shares”) at an issue price of RM0.15 per Share. Since our debut on Bursa Malaysia, our share price has shown a strong performance trend with an all-time high of RM0.48 per share.

BUSINESS ACTIVITIES

Our Group is principally a provider of market access and coverage of CPG where it is involved in the distribution and warehousing of a range of CPG, namely F&B products, personal care products, household products, electrical goods, OTC drugs and health supplements, and baby care products in East Malaysia. Our Group’s core business is supported by a total of 21 distribution centres with warehousing facilities in East Malaysia, of which 15 are in Sabah, 4 in Sarawak and 2 in Labuan.

Our Group is one of the first tier provider of market access and coverage in distribution of CPG in East Malaysia. KTC has established a solid industry foundation with a wide distribution network encompassing retail outlets, hypermarkets, supermarkets, departmental stores, sundry shops, convenience stores, pharmacies, petrol kiosks, electrical hardware stores, stationery and book stores, clothing stores, wholesalers, distributors and food services.



KTC's business structure is divided into 3 segments:

01 DISTRIBUTION OF 3RD PARTY BRANDS

Our Group provides market access and coverage of third party brands of various products categories and distributes approximately 208 third party brands of CPG for 38 brand owners.

Equipped with nearly 79 years of business operation in the industry, we have established a grounded and extensive distribution network covering 7,087 sales and distribution points spanning 84 districts across East Malaysia.

02 DISTRIBUTION OF OWN BRANDS

In 2011, we launched our own brand of CPG where we source for local and international quality products, which are packaged under our house brand "Orie". We currently carry 39 products under our "Orie" brand including beverage, chilled, frozen and dry products.

The strategy in establishing our own brand of CPG is to optimise our existing network and to complement our existing range of products that we are not distributing for third party brands owners. Our CPG brands are currently distributed in Sabah, Sarawak and Labuan.

03 MANUFACTURING OF BAKERY PRODUCTS

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

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

MANAGEMENT'S STATEMENT

cont'd

PERFORMANCE OVERVIEW

With the increasingly challenging local environment affected by the slowdown of the global economy, coupled with volatility in the equity market, the Group had managed to record revenue of RM341.13 million for the FYE 30 June 2016. The Group's main revenue stream is derived from the distribution of third party brands, which represented RM326.43 million or 95.69% of the Group's total revenue. This is followed by the distribution of our own brands, which accounted for RM8.16 million or 2.39% of the Group's total revenue. A small portion of the Group's business is attributed by the manufacturing of bakery products, which accounted for RM6.54 million or 1.92% of the Group's total revenue.

For the FYE 30 June 2016, Sabah contributed a large proportion of our revenue with RM299.02 million, representing 87.66% of our total revenue while Sarawak accounted 7.48% and the remaining 4.86% was from Labuan.

2016 was a year of ongoing infrastructure investment to position our Group for future growth. There were a few strategic business acquisitions that provided our Group with immediate market access and expansion supported with ready business infrastructure in Sarawak and Brunei.

The reduced profit in FYE 30 June 2016 were attributable to the listing expenses incurred in relation to our Listing and increased expenditure on business infrastructure and warehousing facilities. However, our Group is now in a better position for profit growth for the financial year ending 30 June 2017 with these infrastructure in place.

DRIVING IN EXPANSION MODE

Subsequent to the Listing, our Group has been on an aggressive expansion mode, which is in line with our strategic plans to further strengthen our operating capacity and distribution base across East Malaysia.

Throughout the FYE 30 June 2016 and up to today, the Group had undertaken the following expansion of business infrastructure by acquiring distribution centres and warehousing facilities as a platform for future business sustainability and growth:

(i) Expansion of manufacturing facility and new bakery products in Sabah

In line with our efforts to further develop the manufacturing segment of our business to cater for the geographical and product expansion of our bakery products business, we had in July 2015, acquired a piece of 1.87 acre land and building with a total built-up area of approximately

20,596 square feet ("sq. ft.") in Kota Kinabalu Industrial Park ("KKIP"). We relocated our bakery manufacturing facility from our former manufacturing facility with a built-up area of 5,600 sq.ft. to the new 20,596 sq. ft. facility.

The new manufacturing facility was fully operational by December 2015, and it enabled us to house 2 new production lines to cater for further product expansion.



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

We are constructing a new warehousing facility in Kota Kinabalu, Sabah on our existing land in KKIP to house and cater for the expansion of our CPG products. This additional warehousing facility will have an estimated built-up area of approximately 35,914 sq. ft. while the driveway, apron and load/unloading bay will have a total built-up area of approximately 54,115 sq. ft. The expected completion of the new warehousing facility is by second half of 2017.

(iii) Acquisition of distribution company in Sarawak

Our Group had completed the acquisition of 100% equity interest in Popular Trading in May 2016. Popular Trading was a synergistic buy for KTC as it complemented and further cemented our Group's existing distribution business in East Malaysia thereby allowing us to further expand into Sarawak. Popular Trading brings 48 years of solid industry track record in the line of distribution and wholesale trading. The seamless merge of both the companies' business infrastructure and resources provided immediate enlargement to KTC's business scale and market share in Sarawak.

MANAGEMENT'S STATEMENT

cont'd

(iv) Establish a new distribution centre in Brunei

Our Group's distribution operations are supported by 21 distribution centres across East Malaysia. Part of our Group's future plans are to extend our distribution arm to cover territories outside Sabah and Sarawak. In this respect, our Group had entered into an agreement which will enable us to hold 60% equity interest in Grandtop Marketing Sdn. Bhd. ("Grandtop Marketing"), an existing distributor of CPG covering a range of F&B products, personal care and household products in Brunei to address opportunities in this market. The proposed acquisition is expected to be completed by December 2016. Upon completion, Grandtop Marketing will be our first business venture outside of East Malaysia.



The acquisition will provide KTC with immediate penetration into the Brunei market with over 600 sales and distribution points, supported by ready business infrastructure and warehousing facilities. Grandtop Marketing not only extends the KTC's business footprint outside of East Malaysia but it also add multiple brands to our brand portfolio of "Milo", "Kit Kat", "Maggi", "Nestle", "Crunch", "Silky Girl", "Revlon", "Ngan Yin Cap Tangan" and many more.

(v) Acquisition of warehousing facilities in Kuching, Sarawak

Our Group's existing distribution operations in Sarawak including our offices and warehousing facilities are on rented premises. In line with our Group's future plans, KTC entered into a share sale and purchase agreement in relation to the acquisition of 100% equity interest in Trans Paint Sdn. Bhd. ("Trans Paint") which is the sole registered and beneficial owner of a warehousing facility located in Kuching, Sarawak. Upon completion,

our Group will use the warehousing facilities to support our expanding operations in tandem with our business growth in Sarawak. This additional warehousing facilities and office would have a built-up area of approximately 39,000 sq. ft. and 6,000 sq. ft. respectively.

(vi) Increase operation of distribution centres

Our Group's distribution and warehousing business is supported by a total of 21 distribution centres in East Malaysia comprising 15 in Sabah, 4 in Sarawak and 2 in Labuan. The warehousing capacity for Sabah, Sarawak and Labuan are approximately 226,142 sq. ft., 120,863 sq. ft. and 19,526 sq. ft. respectively.

The increase in warehousing capacity in Sarawak from 25,360 sq. ft. to 120,863 sq. ft. is mainly to cater for the recent business acquisition of Popular Trading and the appointment of our Group for the distribution of P&G products in Sarawak and Brunei.

BUILDING OUR BRAND AND PRODUCT PORTFOLIO

As a provider of market access and coverage in the distribution of CPG, it is imperative that we continuously strive not only to maintain our existing brands but to also keep building and enhancing our product portfolio. We are always seeking for and working on securing new brand owners and products to add to our portfolio.

During the FYE 30 June 2016, our team had worked hard in securing a number of distribution rights that has added new brands namely "Benxon" for plastic food packaging products, "Marigold" for beverage products and "Anakku" baby products.

Our latest achievement was P&G's appointment of KTC as its distributor for Sarawak and Brunei. KTC has been a long-standing distributor for P&G products in Sabah and Labuan and a trusted business partner of P&G for more than 30 years. With P&G's recent consolidation of distributors in East Malaysia, we were able to secure additional distribution rights in Sarawak and Brunei as a result of our proven commitment and performance delivered to P&G over the years.

In our continued efforts to strengthen our distribution portfolio and profit generation, we will continue to explore and secure distribution rights of prominent brands and products.

MANAGEMENT'S STATEMENT

cont'd

POSITIONING FOR SUSTAINABLE AND STRATEGIC GROWTH

KTC has enjoyed a steady growth in business since its days as a small sundry shop 79 years ago. More recently, the Listing of KTC has provided us with a platform to realise our expansion plans, which has ultimately elevated our business activities and presence across East Malaysia and subsequently Brunei.

By increasing our business infrastructure capacities and geographic market presence, we are well prepared to support the on-going growth of our business. We believe it is time to re-evaluate our business focus and ensure stabilisation of our operating fundamentals. In order to maintain growth and optimise our performance, there is a need to review and rationalise our current product portfolio to ensure that we are maximising our productivity and resources. Hence, we need to streamline non-performing brands/products, which is needed to warrant our business efficiency, adaptability and growth sustainability moving forth.



Parallel with streamlining activities, we will continue exploring business opportunities and execute strategic growth plans that we have set out for our Group to achieve.

Moving forward we will largely focus on the vertical growth of our core business and remain result oriented. Our business strategy includes further enhancing and expanding our CPG distribution in East Malaysia, whilst continuing to capitalise on the bountiful of opportunities that lies within our reach.

APPRECIATION

On behalf of the Board of Directors, I would like to express our heartfelt appreciation to the management and employees for their commitment and hard work in contributing to our active and aggressive business strategy. I believe that with our combined efforts and expertise we will be able to achieve our goals and continued growth moving forward.

To our valued shareholders, business partners, advisers and clients, your support and trust in KTC is much appreciated.

I would like to take this opportunity to personally thank my fellow Board members for their valuable guidance and support since our listing. My team and I will continue to strive towards and commit ourselves to the development and growth of the Group.

Y. BHG. DATUK LAU KOH SING
@ LAU KOK SING
Non-Independent Managing Director

CORPORATE SOCIAL RESPONSIBILITY

KTC's business is all about our network and our people. Our people, our business partners and the consumer community are the key ingredients to our business' sustainability and success. At KTC, we believe that undertaking initiatives in regulating our corporate environment and being responsible for the social well-being is an integral part in being a respected corporation. Acknowledging and understanding this, KTC has always integrated Corporate Social Responsibilities ("CSR") into our corporate culture and made it part of our daily business activities.



CORPORATE SOCIAL RESPONSIBILITY

cont'd

OUR PEOPLE. OUR SUCCESS

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

While leadership and teamwork can be seen as different virtues, at KTC we recognise that a good leader has to be an accomplished team player as well in order to achieve the best results. Leadership is not just about leading but inspiring and helping other people in achieving goals of which they would think impossible otherwise. Hence, at KTC we inculcate a culture of working together to achieve our objectives no matter your corporate level. We practice an open door policy where we develop ideas and solutions together. A leader strategies and establish goals but team work is required to achieve those goals.

CREATE AWARENESS OF OUR ENVIRONMENT

At KTC, we believe that we should be held responsible for the quality of the environment that we operate and live in. Caring for the health and betterment of our natural surroundings should be taken as a mutual practice by all. At KTC, we have been driving initiatives in collaboration with our business partners and clients as a joint effort in protecting and maintaining the environment that we inhabit.

Our recent activities saw 100 volunteers from both KTC and Danone Dumex (Malaysia) Sdn Bhd coming together to clean up our nearby beaches to ensure that our community and tourist alike can continue to enjoy the beauty and nature of the place. This joint CSR programme between the two companies also enabled us to build a closer working relationship. We will continue to build further in best environmental practices.

We believe that we have to lead by example if we expect the entire community to do the same.

SUPPORTING AND GIVING BACK TO SOCIETY

Supporting the society in which we are operating in has been an important practice and culture of KTC. We are continuously scouting and monitoring our surrounding orphanages, social organisations and other social efforts that require support. In this aspect, KTC has on a frequent basis been donating to various charitable organisations, youth programmes, orphanages and the underprivileged with food and personal care items as well as providing hands on help when and where possible by our volunteers.



CORPORATE GOVERNANCE STATEMENT

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

The Board is pleased to provide the following statement of how the Group has applied the principles and complied with the best practices outlined in the Code and Paragraph 15.25 of the ACE Market Listing Requirements (“AMLR”) of Bursa Malaysia.

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Board Roles and Responsibilities

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

The Board has on 3 December 2014, adopted a Board Charter that sets out its roles, functions, responsibilities, composition, operation and processes, that are in line with the principles of good corporate governance and requirements of AMLR of Bursa Malaysia. The Board Charter further defines the roles and responsibilities of the Chairman and the Managing Director. The Board Charter is available on KTC’s website (www.kimteckcheong.com).

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

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

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

CORPORATE GOVERNANCE STATEMENT

cont'd

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES *cont'd*

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

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

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

Code of Conduct and Whistle-Blowing Policy

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

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

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

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

Supply and Access to Information

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

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

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

CORPORATE GOVERNANCE STATEMENT

cont'd

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES *cont'd*

Supply and Access to Information *cont'd*

The external auditors also briefed the Board members on the Financial Reporting Standards that would affect the Group's financial statements during the year.

Company Secretaries

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

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

STRENGTHEN COMPOSITION

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

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

A brief profile of each Director is presented on pages 8 to 11 of the Annual Report.

Nomination Committee

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

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

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

At its first NC meeting after the Listing of KTC on the ACE Market, the key focus areas of the Nomination Committee during the 2016 financial year, included:

- Endorsed the Terms of Reference of the Nomination Committee.
- Adopted the Directors' Evaluation Forms.

CORPORATE GOVERNANCE STATEMENT

cont'd

STRENGTHEN COMPOSITION *cont'd*

Board Evaluation

The NC is responsible for conducting an annual evaluation of the performance of the Board and Board Committees. The annual evaluation includes the assessment of independence of Independent Directors.

During the financial year, the NC conducted a meeting to review the composition of the Board, the performance appraisal of the Board, Board Committees and individual directors.

Remuneration Committee

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

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

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

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

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

Details of the remuneration (on Group basis) of Directors of the Company

The aggregate remuneration of the Executive Directors and Non-Executive Directors for the financial year ended 30 June 2016 is as follows:

Group Level

Category	Salaries and other emoluments* RM	Fees RM	Total RM
Executive	1,520,364	87,570	1,607,934
Non-Executive	4,000	228,800	232,800
Total	1,524,364	316,370	1,840,734

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

CORPORATE GOVERNANCE STATEMENT

cont'd

STRENGTHEN COMPOSITION *cont'd*

Details of the remuneration (on Group basis) of Directors of the Company *cont'd*

The number of Directors of the Company in each remuneration band is as follows:

#Range of Remuneration	Number of Directors	
	Executive	Non-Executive
RM50,000 and below	-	5
RM150,001 to RM200,000	1	-
RM550,001 to RN600,000	1	-
RM750,001 to RM800,000	1	-

Successive bands of RM50,000 are not shown entirely as these are not represented.

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

REINFORCE INDEPENDENCE

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

Annual Assessment of Independence

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

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

Tenure of Independent Directors

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

However, the Board may, in appropriate cases and subject to the assessment of the NC on an annual basis, retain the Independent Director who has served a consecutive or cumulative term of nine (9) years to continue to serve as Independent Director subject to shareholders' approval.

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

Chairman and Managing Director

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

CORPORATE GOVERNANCE STATEMENT

cont'd

STRENGTHEN COMPOSITION *cont'd*

Chairman and Managing Director *cont'd*

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

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

FOSTER COMMITMENT

Time Commitment

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

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

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

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

The Board met 3 times during the financial year under review. The details of Directors' attendance are set out as follows:

Name of Directors	Designation	Total Meetings Attended
Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra	<i>Independent Non-Executive Chairman</i>	3/3
Mr. Tan Jwee Peng	<i>Senior Independent Non-Executive Director</i>	3/3
Y.A.M. Tengku Datin Paduka Setia Zatashah Binti Sultan Sharafuddin Idris Shah	<i>Independent Non-Executive Director</i>	3/3
Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing	<i>Non-Independent Managing Director</i>	3/3
Y. Bhg. Datin Lim Fook Len @ Lim Su Chin	<i>Non-Independent Non-Executive Director</i>	3/3
Mr. Lau Wei Dick @ Dexter Dick Lau	<i>Non-Independent Executive Director</i>	3/3
Mr. Lim Hui Kiong	<i>Non-Independent Executive Director</i>	3/3
Mr. Wee Hock Kee	<i>Independent Non-Executive Director</i>	3/3

Directors' Training

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

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

CORPORATE GOVERNANCE STATEMENT

cont'd

FOSTER COMMITMENT *cont'd*

Directors' Training *cont'd*

During the financial year under review, the Board have attended individually or collectively seminar(s), conference(s) and/or training(s) to continuously upgrade their skills and to keep abreast with current developments. The courses that had been attended by the Directors are as follows:-

Name of Director	Topics of Courses Attended	Date
Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra	Mandatory Accreditation Programme	12 & 13 August 2015
Tan Jwee Peng	Mandatory Accreditation Programme	9 & 10 September 2015
Y.A.M. Tengku Datin Paduka Setia Zatashah Binti Sultan Sharafuddin Idris Shah	Mandatory Accreditation Programme CG Breakfast Series with Directors: "The Strategy, the Leadership, the Stakeholders and the Board"	12 & 13 August 2015 6 May 2016
Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing	Mandatory Accreditation Programme	12 & 13 August 2015
Y. Bhg. Datin Lim Fook Len @ Lim Su Chin	Mandatory Accreditation Programme	12 & 13 August 2015
Lau Wei Dick @ Dexter Dick Lau	Mandatory Accreditation Programme	12 & 13 August 2015
Lim Hui Kiong	Mandatory Accreditation Programme	12 & 13 August 2015

Name of Director	Panel/Trainer for the following courses	Date
Wee Hock Kee	BURSA Risk Management and Internal Control for Audit Committee	7 & 8 September 2015 7 April 2016
	Panel Member of BURSA COSO programme by Protiviti Chairman Robert Hirth	26 February 2016
	Panel Member of MIA IIA Audit Committee Forum	29 March 2016
	Panel Member Of Andrew Fastow's Workshop: Financials Hidden In Plain Sight	1 June 2016

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

UPHOLD INTEGRITY IN FINANCIAL REPORTING

Financial Reporting

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

The ARMC comprises three (3) members, all of whom are Independent Non-executive Directors. The composition of the ARMC, including its roles and responsibilities are set out on pages 34 to 36 under ARMC Report of this Annual Report.

CORPORATE GOVERNANCE STATEMENT

cont'd

UPHOLD INTEGRITY IN FINANCIAL REPORTING *cont'd*

Financial Reporting *cont'd*

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

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

Suitability and Independence of Internal and External Auditors

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

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

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

During the financial year under review, the fees for External Auditors were RM118,000 in audit fee and RM109,000.00 for non-audit fee for services rendered by the External Auditors to the Group for the financial year ended 30 June 2016.

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

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

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

DIRECTORS RESPONSIBILITY STATEMENT

The Board is required by the Companies Act, 1965 to present the financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs, the results and cash flows of the Group and the Company.

The Board is satisfied that in preparing the financial statements of the Group and the Company for the financial year ended 30 June 2016, the appropriate accounting policies were used and applied consistently, adopted to include new and revised Malaysian Financial Reporting Standards ("MFRS") where applicable. The Board is also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

CORPORATE GOVERNANCE STATEMENT

cont'd

DIRECTORS RESPONSIBILITY STATEMENT *cont'd*

The Directors are responsible for ensuring that the Company keeps proper accounting records which enable the financial position of the Group and the Company to be disclosed with reasonable accuracy and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

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

RECOGNISE AND MANAGE RISKS

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

The Statement on Risk Management and Internal Control as set out on pages 37 to 42 of this Annual Report provides an overview of the state of risk management activities within the Group.

Internal Audit Function

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

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

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

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

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

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

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

COMPLIANCE STATEMENT

The Board confirms that the Group has made significant effort to maintain high standards of corporate governance throughout the year under review. The Board acknowledges that achieving excellence in corporate governance is a continuous process and is committed to play a pro-active role in steering the Group towards the highest level of integrity and ethical standards. This statement is made in accordance with the resolution of the Board of Directors dated 17 October 2016.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Board of Directors of KTC (“the Board”) is pleased to present the report on the Audit and Risk Management Committee (“ARMC”) of the Board for the FYE 30 June 2016.

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

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

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

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

MEMBERSHIP AND MEETINGS

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

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

SUMMARY OF ACTIVITIES

ARMC’s principal activities during the financial year are as summarised below:

Risk Management and Internal Control

- Reviewed the internal audit plan for adequacy of scope and coverage and risk areas using the risk based approach
- Engaged the service of Audex Governance Sdn Bhd (“Audex”), an outsourced internal auditor to facilitate the Risk Management Framework of the Group;
- Reviewed risk management reports and internal audit reports issued by Audex;
- Reviewed the effectiveness and adequacy of governance, risk management, operational and compliance processes; and
- Reviewed the adequacy and effectiveness of corrective actions taken by Management on all significant matters raised.

External Audit

- Reviewed and approved the external auditor’s audit plan and the scope for the annual audit;
- Assessed the performance of the external auditors and recommended their appointment and remuneration to the Board;
- Met with the external auditors without the presence of Executive Directors and Management; and
- Reviewed the Audit Review Memorandum for the FYE 30 June 2016.

Financial Results

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

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

cont'd

SUMMARY OF ACTIVITIES *cont'd*

Related Party Transactions

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

Others

- Shortlisted outsourced internal audit firms to perform the internal audit and risk management framework for the Group;
- Reviewed the Whistleblowing Policy;
- Reviewed the delegation of authorities;
- Reviewed the policies and procedures of the Company such as the impairment policies and capital expenditures; and
- Review the quality of the internal audit function.

INTERNAL AUDIT FUNCTION

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

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

During the FYE 30 June 2016, the ARMC reviewed the following reports as presented by Audex:

- (a) Follow-up review on KTC Sdn Bhd, KTC Tawau, KTC Borneo and Creamos Malaysia in the following business processes:
 - (i) Merchandise Management & Inventory Management;
 - (ii) Procurement;
 - (iii) Sales & Marketing;
 - (iv) Human Resource Management;
 - (v) Financial Statement Close Process;
 - (vi) Production;
 - (vii) Facilities Management;
 - (viii) General;
- (b) Risk Management Progress Report to the ARMC of KTC; and
- (c) Special Review Report to the ARMC of KTC.

Internal audit reports are issued by Audex contain improvement opportunities, audit findings, Management response and corrective actions in areas with significant risks and internal control deficiencies. Management provides the corrective and preventive actions as well as deadlines to complete the actions. These reports together with follow-up audit reports were tabled to the ARMC for deliberation. Management is required to be present at the ARMC meetings to respond and provide feedback on their progress on business process improvement opportunities identified by Audex.

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

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

cont'd

INTERNAL AUDIT FUNCTION *cont'd*

Cost for the Internal Audit Function

The cost incurred for internal audit function for the FYE 30 June 2016 is RM64,000-00 (for two audit cycles for the three (3) months financial period ended 30 June 2016). Four audit cycles had been reviewed as adequate in 2016 but ARMC had requested for scope to be reviewed quarterly to ensure all major risks are covered.

The Internal Auditors worked closely with the Group's Compliance and Treasury personnels to strengthen the five lines of defence of integrated assurance in KTC group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Rule 15.26 (b) of the ACE Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia, the Board is required to make a statement in the annual report of the state of the risk management and internal control of the Group. In this respect, the Board of KTC is pleased to present its Statement on Risk Management and Internal Control (“Statement”) of the Group, which is based on the guideline from the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. The statement below outlines the nature and scope of risk management and internal controls of the Group during the financial year.

BOARD RESPONSIBILITY

The Board recognises its overall responsibility for the Group’s system of risk management and internal control and for reviewing the adequacy and integrity of the Group’s internal control system. The Board’s responsibility in relation to the system of internal control encompasses all subsidiaries of the Company. However, as there are inherent limitations in any system of internal control, such system of internal control put into effect by the management can only manage but not eliminate all risks that may impede the achievement of the Group’s business objectives. Therefore, the internal control system can only provide reasonable but not absolute assurance against material misstatement, error or loss.

The Group’s management is responsible in assisting the Board to implement and to continuously foster the risk management and internal control system of the Group. The management continuously evaluates and identifies the key risks and establishes action plans to further improve control to mitigate risks.

The Board has delegated the responsibility for reviewing the adequacy and integrity of the internal control system to the Audit and Risk Management Committee. In turn, the Audit and Risk Management Committee assesses the adequacy and integrity of the systems of risk management and internal controls through independent reviews conducted on reports it receives from the management and internal audit functions.

The Board has also received assurance from the Executive Director and the Associate Director, Treasury – Corporate that the Group’s risk management and internal controls are operating adequately and effectively in all material aspects. This process was done based on an integrated approach of assurance operating within the Group.

The risk and control governance structure of the Group is driven on the premise of the five lines of defence:-

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

RISK MANAGEMENT FRAMEWORK

The Board has taken the necessary measures to ensure an on-going process to manage and mitigate significant risks faced by the Group in recognition of the importance of establishing good risk management system and practices within the Group's operations. In monitoring significant risks which the Group may face, the Board relies on the direct participation of the Managing Director, Executive Directors and senior management in the daily operations. The Managing Director, Executive Directors and senior management attend various scheduled and ad-hoc management meetings as well as perform reviews on financial, operational and technical reports in order to monitor the performance of the Group. These meetings and reports present the ideal platform for timely identification of the Group's risks of each business units and the implementation of systems to manage these risks. The Executive Director updates the Board on any significant matters which require the latter's attention. This first and second line of defences have been working effectively in managing the Group's risks to ensure there is a long term sustainability in delivering shareholders value.

The Committee of Sponsoring Organisation of the Treadway Commission ("COSO") framework has been incorporated into the Group's risk management and internal control initiatives through the findings and recommendations of the internal auditors.

The Group's risk governance structure is as follow:



During the FYE 30 June 2016, the Board appointed Audex Governance Sdn Bhd ("Audex"), an independence consultant to facilitate the updating of the Group's existing key risk profile. Executive Management and key staff participated in the update of the Group's key risk profile and the results of the update for the Groups' risk profile were discussed at the Audit and Risk Management Committee meeting and at a management meeting which included all Board members which was held on 23 May 2016. The finalised Group's key risk profile, taking into consideration Executive Management's three (3) years strategic plan, was presented to the Board at the meeting held on 23 May 2016. The Board is in the process of formalising and enhancing the Group's risk management framework.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

RISK MANAGEMENT FRAMEWORK *cont'd*

The abovementioned risk management process has been in place for the year under review and up to the date of approval of this Statement for inclusion in the annual report.

The top ten identified risks of the Group are as follows:

No.	Source	Description of Risk
1	External	Global and local economic slowdown
2	Regulatory	Rules, regulations, guidelines and laws governing the Group's operations
3	Financial	Cash flow management
4	Financial	Budgetary control and monitoring
5	Financial	Fraud risk assessment
6	Human Capital	Key personnel and succession planning
7	Human Capital	Staff turnover at the operational level staff
8	Operations	Strategy development in new markets
9	Operations	Business Continuity and crisis management
10	Corporate Governance	Merger and acquisition integration with other distributor as part of the Group expansion plan

MANAGEMENT STYLE AND CONTROL ENVIRONMENT

Enhancing the Group's ability to achieve its business objectives remain as the Board's primary objective and direction in managing the Group. In ensuring that this objective is achieved, the Board will continue to rely on senior management, which consists of the Executive Directors, Associate Directors and Group Managers, to ensure that the performances of their businesses are within the agreed business strategies. The Board will in turn monitor the performance and profitability of the Group through the reports it received and its involvement in operational and strategic meetings. Matters which are significant in nature are brought to the attention of the Managing Director, who in turn, will direct these matters, if necessary, to the Board for its attention.

The Group is in the midst of establishing its standard operating procedures for significant facets of the Group's business processes. Recognising that the development of standard operating procedures is a gradual process as internal control systems will continue to evolve, the development is currently focused on major functional aspects of the Group's business operations and geared towards prevention of asset loss and protection of shareholder value.

INTERNAL AUDIT

The Company was listed on the ACE Market of Bursa Malaysia on 25 November 2015. In the preparation for the Listing exercise, the Company engaged Audex to conduct an independent review on the Group's internal control system.

Subsequent to the Listing, the Group continued to outsource its internal audit function to Audex to review the adequacy and effectiveness of its system of risk management and internal control. Audex acts as the Internal Auditors reporting directly to the Audit and Risk Management Committee on a quarterly basis. This continuity allows Audex to provide an in-depth review of the risk and control activities in the Group.

Audex assists in reviewing the adequacy and effectiveness of the system of internal control through execution of internal audits and formulate recommendations for improvement to internal control processes. The methodology used by Audex complies with the IIA IPPF (International Professional Practice Framework).

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

INTERNAL AUDIT *cont'd*

An internal audit plan was presented and approved by the Audit and Risk Management Committee in March 2016 and periodic internal audit reports were tabled to the Audit and Risk Management Committee every quarter since then.

For the FYE 30 June 2016, the following subsidiaries were audited by Audex:

Cycle	Audit period covered	Reporting date	Name of subsidiary audited	Audited Areas
1	1 April 2015 – 31 March 2016	13 May 2016	KTC Sdn Bhd KTC Tawau KTC Borneo Creamos Malaysia	Follow up and internal audit review on: • Merchandise and inventory management • Procurement • Sales and marketing • Human resource management • Financial statement close process • Production • Facilities management • General
2	1 January 2016 – 30 April 2016	18 May 2016	KTC Sdn Bhd KTC Tawau KTC Borneo Creamos Malaysia	Special review of the payroll process of resigned staff.
3	1 July 2015 – 30 June 2016	22 August 2016	KTC Sarawak	Internal audit review on: • Merchandise and Inventory Management • Credit control • Cash management Follow up on Cycle 1 outstanding issues.

The abovementioned reviews were discussed with senior management and subsequently reported to the Audit and Risk Management Committee at the scheduled meetings.

On 7 September 2016, the Audit Committee members had met privately with Audex without the presence of Executive Management. Points and issues raised by Audex have been noted by the Audit and Risk Management Committee.

For the FYE 30 June 2016, the total costs incurred for outsourced internal audit function is RM64,000 (for two audit cycles for the three (3) months financial period ended 30 June 2016). For the full year review, i.e. four (4) audit cycles had been laid out by the Audit and Risk Management Committee.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

KEY ELEMENTS OF THE GROUP'S INTERNAL CONTROL SYSTEM

Key elements of the Group's internal control system include:

- **Governance structure** - clearly defined terms of reference, authorities and responsibilities of the various Board committees which include the audit and risk management committee, nomination committee and remuneration committee;
- **Authority level** - clearly defined organisational structures and management disciplines further reinforce the internal control framework to ensure its continued relevance and effectiveness. Among management disciplines is the Group-wide authority chart which provide clear definition of delegated authority to various management levels;
- **Policies and procedures** - flow charts of policies and procedures are documented to support the Group in achieving its corporate and business objectives. These documented flow charts provide a basis for ensuring compliance with applicable laws and regulations, and also internal controls with respect to the conduct of business;
- **Internal audit quality control** - decision of the Board to outsource its internal audit function to independent professional consulting firms for greater independence and accountability in the internal audit function;
- **Asset protection** - coverage on major assets and transactions to prevent material losses and reduce contingent liabilities of the Group;
- **Capital expenditure and credit control** - capital expenditure and credit control processes are in place;
- **Inventory control** - controls are in place for inventories, which are subject to regular stock takes;
- **Management information system** - financial and operational reports are generated timely for management review and discussion;
- Quarterly reviews of the performance and financial results of the Group to the Board;
- The Board is furnished with timely and detailed Board papers and is further briefed on all significant matters for their consideration and deliberation;
- Establishing training and development plans to ensure staff are kept up to date with necessary competencies to carry out their duties and responsibilities well; and
- Employment of qualified and capable work force.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

Pursuant to Rule 15.23 of the Listing Requirements of Bursa Malaysia, the External Auditors have reviewed the Statement for inclusion in the annual report for the FYE 30 June 2016. Their review was performed in accordance with Recommended Practice Guide 5 (Revised): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants. The External Auditors have reported to the Board that nothing had come to their attention that cause them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is it factually inaccurate.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

CONCLUSION

In assessing the Group's system of internal control, the Board is of the view that the risks undertaken by the Group are within tolerable levels considering the business environment that the Group operates in and the system of internal control that existed throughout the year. The system of internal control comprising the internal control framework, management processes and monitoring and review process provided a level of confidence on which the Board relied on for assurance. For the financial year under review and up to the date of approval of this Statement, nothing has come to the attention of the Board which would result in any material losses, contingencies or uncertainties that would require separate disclosure in this statement. Notwithstanding this, the Board will continue to ensure that the Group's system of internal control continuously adapt to prevail in its current changing and challenging business environment.

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

This Statement is made in respect of the FYE 30 June 2016 and in accordance with the Board's approval on 25 October 2016.

ADDITIONAL INFORMATION

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

1. UTILISATION OF PROCEEDS

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

Purposes	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation RM'000	Estimated timeframe for use (from the listing date)
(i) Acquisition of warehousing facilities including land and building, in Sibul, Miri and Kuching	9,000	50	8,950	Within 24 months
(ii) Construction of new warehousing facility in Kota Kinabalu, Sabah	2,000	288	1,712	Within 18 months
(iii) Purchase of equipment for the following:				
(a) new warehousing facility in Kota Kinabalu, Sabah	1,000	-	1,000	Within 18 months
(b) three (3) production lines for bakery products in Sabah	1,000	1,000	-	Within 12 months
(c) a production line for bakery products in Sarawak	1,000	-	1,000	Within 12 months
(iv) Working capital	4,700	4,700	-	Within 12 months
(v) Estimated listing expenses	2,600	2,600	-	Upon Listing
Total gross proceeds	21,300	8,638	12,662	

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

2. NON-AUDIT FEES

The non-audit fees paid to the external auditors of the Company in relation to the services rendered for the Group for the financial year ended 30 June 2016 amounted to RM109,000 for review of interim financial information, review of statement of risk management and internal control, review of supplementary information on the disclosure of realised and unrealised profits and losses and report on Special refund Pursuant to the Requirements of Goods and Services Tax Act, 2014.

3. REVALUATION POLICY ON LANDED PROPERTIES

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

4. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and/or its subsidiaries during the financial year ended 30 June 2016 or entered into since the end of the previous financial year, which involves the interest of Directors and/or major shareholders.

ADDITIONAL INFORMATION

cont'd

5. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

Saved as disclosed below, there are no other options, warrants or convertible securities issued during the FYE 30 June 2016:

- (i) On 1 July 2015, the Company issued 24,001,858 redeemable convertible preference shares ("RCPS") of RM1.00 each to Kim Teck Cheong Holdings Sdn Bhd for the acquisition of subsidiaries. No RCPS has been exercised during the FYE 30 June 2016 and up to the date of this report.

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DIRECTORS' REPORT

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2016.

PRINCIPAL ACTIVITY

The Company is principally engaged in investment holding. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

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

RESULTS

	Group RM	Company RM
Profit/(Loss) for the financial year	1,929,978	(2,675,953)
Attributable to:		
Owners of the Company	1,851,566	(2,675,953)
Non-controlling interests	78,412	-
	1,929,978	(2,675,953)

DIVIDENDS

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

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

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL DEBTS

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

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

DIRECTORS' REPORT

cont'd

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

- (i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in Note 21 to the financial statements; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS' REPORT

cont'd

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company:

- (i) increased its authorised share capital from RM400,000 to RM100,000,000 by creation of additional 746,000,000 ordinary shares of RM0.10 each and 25,000,000 redeemable convertible preference shares ("RCPS") of RM1 each; and
- (ii) increased its issued and paid-up share capital from RM2 to RM75,029,558 by the allotment of:
 - 368,276,980 new ordinary shares of RM0.10 each and 24,001,858 redeemable convertible preference shares of RM1 each for the acquisition of subsidiaries as disclosed in Note 7 to the financial statements; and
 - 142,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.15 per ordinary share pursuant to the initial public offering in conjunction with the listing and quotation of the Company on the ACE Market of Bursa Malaysia Securities Berhad.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

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

DIRECTORS

The directors in office since the date of the last report are:

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

DIRECTORS' INTERESTS

According to the register of directors' shareholdings required to be kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporation during the financial year were as follows:

Shareholdings in the Company

		Number of ordinary shares of RM0.10 each			
		At 1.7.2015	Bought	Sold	At 30.6.2016
Direct interests					
Datuk Lau Koh Sing @ Lau Kok Sing		1	-	(1)	-
Lim Hui Kiong		1	-	(1)	-
Indirect interests					
Datuk Lau Koh Sing @ Lau Kok Sing	*	-	368,277,000	-	368,277,000
Lau Wei Dick @ Dexter Dick Lau	*	-	368,277,000	-	368,277,000
Lim Hui Kiong	*	-	368,277,000	-	368,277,000

DIRECTORS' REPORT

cont'd

DIRECTORS' INTERESTS *cont'd*

Shareholdings in the immediate holding company

- Kim Teck Cheong Holdings Sdn. Bhd.

Number of ordinary shares of RM0.10 each				
	At 1.7.2015	Bought	Sold	At 30.6.2016
Direct interests				
Datuk Lau Koh Sing @ Lau Kok Sing	3,142,692	-	-	3,142,692
Lim Hui Kiong	810,943	-	-	810,943
Indirect interests				
Datuk Lau Koh Sing @ Lau Kok Sing *	11,969,057	-	-	11,969,057
Lau Wei Dick @ Dexter Dick Lau *	11,969,057	-	-	11,969,057

* Deemed interested by virtue of the shareholdings in a corporation pursuant to Section 6A of the Companies Act, 1965

Shareholdings in the ultimate holding company

- Kim Teck Cheong Capital Sdn. Bhd.

Number of ordinary shares of RM1.00 each				
	At 1.7.2015	Bought	Sold	At 30.6.2016
Direct interests				
Datuk Lau Koh Sing @ Lau Kok Sing	75,231	-	-	75,231
Datin Lim Fook Len @ Lim Su Chin	1,036	-	-	1,036
Lau Wei Dick @ Dexter Dick Lau	43,056	-	-	43,056

By virtue of their interests in the ordinary shares of the Company and pursuant to Section 6A of the Companies Act, 1965 in Malaysia, Datuk Lau Koh Sing @ Lau Kok Sing, Lau Wei Dick @ Dexter Dick Lau and Lim Hui Kiong are deemed to have interests in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in ordinary shares of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

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

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

DIRECTORS' REPORT

cont'd

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 33 to the financial statements.

HOLDING COMPANIES

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

AUDITORS

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

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

DATUK LAU KOH SING @ LAU KOK SING
Director

LAU WEI DICK @ DEXTER DICK LAU
Director

Date: 25 October 2016

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
			Unaudited (Note 32)		
ASSETS					
Non-current Assets					
Property, plant and equipment	5	60,301,852	22,920,248	55,809	-
Investment property	6	-	11,029,000	-	-
Investment in subsidiaries	7	-	-	84,875,739	-
Goodwill on consolidation	8	5,981,384	-	-	-
Other intangible asset	9	236,892	-	-	-
Deferred tax assets	10	267,887	-	267,887	-
		66,788,015	33,949,248	85,199,435	-
Current Assets					
Inventories	11	60,413,760	23,776,243	-	-
Trade and other receivables	12	93,954,033	24,976,585	6,258,047	7,041
Tax assets		1,269,744	138,500	18,750	-
Deposits, cash and bank balances	13	21,998,887	16,350,773	12,615,539	2
		177,636,424	65,242,101	18,892,336	7,043
TOTAL ASSETS		244,424,439	99,191,349	104,091,771	7,043

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2016

cont'd

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
			Unaudited (Note 32)		
EQUITY AND LIABILITIES					
Equity					
Share capital	14	75,029,558	2	75,029,558	2
Share premium	15	24,330,815	-	24,330,815	-
Revaluation reserve	16	9,495,625	9,671,422	-	-
Reorganisation deficit	17	(47,962,248)	(63,500)	-	-
Retained earnings/(Accumulated losses)		28,895,581	26,868,218	(3,339,453)	(663,500)
		89,789,331	36,476,142	96,020,920	(663,498)
Non-controlling interests		866,252	-	-	-
Total Equity		90,655,583	36,476,142	96,020,920	(663,498)
Liabilities					
Non-current Liabilities					
Loans and borrowings	18	14,703,888	7,311,575	-	-
Deferred tax liabilities	10	5,657,157	3,387,026	-	-
		20,361,045	10,698,601	-	-
Current Liabilities					
Trade and other payables	19	31,208,436	24,525,612	8,070,851	670,541
Loans and borrowings	18	102,169,051	27,490,994	-	-
Tax liabilities		30,324	-	-	-
		133,407,811	52,016,606	8,070,851	670,541
Total Liabilities		153,768,856	62,715,207	8,070,851	670,541
TOTAL EQUITY AND LIABILITIES		244,424,439	99,191,349	104,091,771	7,043

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

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2016

	Note	Group		Company	
		1.7.2015 to 30.6.2016 RM	1.7.2014 to 30.6.2015 RM Unaudited (Note 32)	1.7.2015 to 30.6.2016 RM	17.10.2014 to 30.6.2015 RM
Revenue	20	341,125,907	140,768,348	1,849,943	-
Cost of sales		(297,950,234)	(125,413,613)	-	-
Gross profit		43,175,673	15,354,735	1,849,943	-
Other income		3,069,398	3,593,669	146,195	-
Administrative expenses		(13,803,100)	(4,405,390)	(4,939,978)	(663,500)
Selling and distribution expenses		(22,013,303)	(7,800,968)	-	-
Other expenses		(2,236,768)	(253,318)	-	-
		(38,053,171)	(12,459,676)	(4,939,978)	(663,500)
Operating profit/(loss)		8,191,900	6,488,728	(2,943,840)	(663,500)
Finance costs		(4,975,070)	(1,551,936)	-	-
Profit/(Loss) before tax	21	3,216,830	4,936,792	(2,943,840)	(663,500)
Tax (expense)/credit	23	(1,286,852)	(1,349,414)	267,887	-
Profit/(Loss) for the financial year/period		1,929,978	3,587,378	(2,675,953)	(663,500)
Other comprehensive income/(loss), net of tax					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Revaluation of land and buildings		-	9,788,620	-	-
Total comprehensive income/(loss) for the financial year/period		1,929,978	13,375,998	(2,675,953)	(663,500)

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2016

cont'd

		Group		Company	
		1.7.2015 to 30.6.2016	1.7.2014 to 30.6.2015	1.7.2015 to 30.6.2016	17.10.2014 to 30.6.2015
Note		RM	RM	RM	RM
			Unaudited (Note 32)		
Profit/(Loss) attributable to:					
Owners of the Company		1,851,566	3,587,378	(2,675,953)	(663,500)
Non-controlling interests		78,412	-	-	-
		1,929,978	3,587,378	(2,675,953)	(663,500)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		1,851,566	13,375,998	(2,675,953)	(663,500)
Non-controlling interests		78,412	-	-	-
		1,929,978	13,375,998	(2,675,953)	(663,500)
Basic earnings per share (sen)	24	0.41	1.60		
Diluted earnings per share (sen)	24	0.30	0.93		

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 June 2016

← Attributable to owners of the Company → ← Non-distributable → Distributable									
Note	Share Capital RM	Share Premium RM	Revaluation Reserve RM	Reorganisation Deficit RM	Retained Earnings RM	Sub-total RM	Non-controlling Interests RM	Total Equity RM	
At 1 July 2015 (unaudited)	2	-	9,671,422	(63,500)	26,868,218	36,476,142	-	36,476,142	
Profit for the financial year, representing total comprehensive income	-	-	-	-	1,851,566	1,851,566	78,412	1,929,978	
Realisation of revaluation reserve	16	-	(175,797)	-	175,797	-	-	-	
Transaction with owners									
Shares issued for acquisition of subsidiaries	60,829,556	18,413,849	-	(47,898,748)	-	31,344,657	787,840	32,132,497	
Public issue of shares	14,200,000	7,100,000	-	-	-	21,300,000	-	21,300,000	
Share issue expenses	-	(1,183,034)	-	-	-	(1,183,034)	-	(1,183,034)	
Total transactions with owners	75,029,556	24,330,815	-	(47,898,748)	-	51,461,623	787,840	52,249,463	
At 30 June 2016	75,029,558	24,330,815	9,495,625	(47,962,248)	28,895,581	89,789,331	866,252	90,655,583	

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 June 2016

cont'd

	Note	Attributable to owners of the Company					Total Equity RM
		Share Capital RM	Share Premium RM	Revaluation Reserve RM	Reorganisation Deficit RM	Retained Earnings RM	
Group							
At 1 July 2014 (unaudited)		2	-	-	(63,500)	30,766,526	30,703,028
Total comprehensive income for the financial year							
Profit for the financial year		-	-	-	-	3,587,378	3,587,378
Other comprehensive income	16	-	-	9,788,620	-	-	9,788,620
Total comprehensive income		-	-	9,788,620	-	3,587,378	13,375,998
Realisation of revaluation reserve	16	-	-	(117,198)	-	117,198	-
Transaction with owners							
Dividends paid on shares by a subsidiary		-	-	-	-	(7,602,884)	(7,602,884)
At 30 June 2015 (unaudited)		2	-	9,671,422	(63,500)	26,868,218	36,476,142

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 June 2016
cont'd

	Share Capital RM	Non- distributable Share Premium RM	Accumulated Losses RM	Total Equity RM
Company				
At 1 July 2015	2	-	(663,500)	(663,498)
Total comprehensive loss for the financial year				
Loss for the financial year	-	-	(2,675,953)	(2,675,953)
Total comprehensive loss	-	-	(2,675,953)	(2,675,953)
Transaction with owners				
Shares issued for acquisition of subsidiaries	60,829,556	18,413,849	-	79,243,405
Public issue of shares	14,200,000	7,100,000	-	21,300,000
Share issue expenses	-	(1,183,034)	-	(1,183,034)
Total transaction with owners	75,029,556	24,330,815	-	99,360,371
At 30 June 2016	75,029,558	24,330,815	(3,339,453)	96,020,920
Company				
At 17 October 2014 (date of incorporation)	2	-	-	2
Total comprehensive loss for the financial period				
Loss for the financial period	-	-	(663,500)	(663,500)
At 30 June 2015	2	-	(663,500)	(663,498)

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

STATEMENTS OF CASH FLOWS

For the financial year ended 30 June 2016

	Note	Group		Company	
		1.7.2015 to	1.7.2014 to	1.7.2015 to	17.10.2014 to
		30.6.2016	30.6.2015	30.6.2016	30.6.2015
		RM	RM	RM	RM
Unaudited (Note 32)					
Cash Flows from Operating Activities					
Profit/(Loss) before tax		3,216,830	4,936,792	(2,943,840)	(663,500)
Adjustments for:					
Amortisation of intangible asset		78,964	-	-	-
Bad debt written off		38,818	-	-	-
Depreciation of property, plant and equipment	5	2,957,521	888,773	6,201	-
Gain on bargain purchase arising from acquisition of subsidiaries		(1,824,858)	-	-	-
Gain on disposal of property, plant and equipment		(79,226)	(98,333)	-	-
Gain on disposal of non-current assets held for sale		-	(822,000)	-	-
Interest income		(264,626)	(42,851)	(91,259)	-
Income distribution from short-term funds		(54,936)	-	(54,936)	-
Interest expense		4,975,070	1,551,936	-	-
Inventories written off		2,113,098	253,318	-	-
Impairment loss on trade receivables		49,091	-	-	-
Property, plant and equipment written off		3	-	-	-
Operating profit/(loss) before working capital changes		11,205,749	6,667,635	(3,083,834)	(663,500)
Inventories		(1,354,442)	(1,376,208)	-	-
Trade and other receivables		(6,150,991)	4,546,709	(1,015,290)	(7,041)
Trade and other payables		(47,410,249)	14,725,833	(89,232)	18,000
Net cash flows (used in)/generated from operations		(43,709,933)	24,563,969	(4,188,356)	(652,541)
Tax paid		(3,138,283)	(1,525,902)	(18,750)	-
Interest paid		(1,083,946)	(78,320)	-	-
Interest received		264,626	42,851	91,259	-
Net cash flows (used in)/from operating activities, carried forward		(47,667,536)	23,002,598	(4,115,847)	(652,541)

STATEMENTS OF CASH FLOWS

For the financial year ended 30 June 2016
cont'd

	Note	Group		Company	
		1.7.2015 to 30.6.2016 RM	1.7.2014 to 30.6.2015 RM Unaudited (Note 32)	1.7.2015 to 30.6.2016 RM	17.10.2014 to 30.6.2015 RM
Net cash (used in)/from operating activities, brought forward		(47,667,536)	23,002,598	(4,115,847)	(652,541)
Cash Flows from Investing Activities					
Acquisition of subsidiaries, net of cash acquired	7(b) & 7(c)	(6,614,219)	-	(5,632,334)	-
Income distribution from short-term funds		54,936	-	54,936	-
Advances to subsidiaries		-	-	(5,235,716)	-
Proceeds from disposal of non-current assets held for sale		-	3,000,000	-	-
Proceeds from disposal of property, plant and equipment		180,345	134,969	-	-
Purchase of property, plant and equipment	5	(2,005,954)	(1,130,134)	(62,010)	-
Net cash flows (used in)/from investing activities		(8,384,892)	2,004,835	(10,875,124)	-
Cash Flows from Financing Activities					
Advances from subsidiaries		-	-	7,489,542	-
Proceeds of bankers' acceptance		251,131,669	146,561,435	-	-
Proceeds of revolving credit		10,000,000	-	-	-
Drawdown of term loans		1,822,637	-	-	-
Interest paid		(3,891,124)	(1,473,616)	-	-
Advance to immediate holding company		-	(2,000,000)	-	-
Repayment from ultimate holding company		-	2,336	-	-
Advances to related companies		-	(4,606,172)	-	652,541
Proceeds from issuance of ordinary shares		21,300,000	-	21,300,000	-
Repayment of bankers' acceptance		(224,513,302)	(152,451,026)	-	-
Payments of finance lease payables		(635,215)	(159,532)	-	-
Repayment of term loans		(754,384)	(1,535,063)	-	-
Share issuance expenses		(1,183,034)	-	(1,183,034)	-
Net cash flows from/(used in) financing activities		53,277,247	(15,661,638)	27,606,508	652,541
Net (decrease)/increase in cash and cash equivalents, carried forward		(2,775,181)	9,345,795	12,615,537	-
Cash and cash equivalents at the beginning of the financial period/date of incorporation		13,673,317	4,327,522	2	2
Cash and cash equivalents at the end of the financial year/period	13	10,898,136	13,673,317	12,615,539	2

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

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

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

The Company is principally engaged in investment holding. The principal activities of its subsidiaries are disclosed in Note 7. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 October 2016.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

2.2 New MFRSs and amendments/improvements to MFRSs that have been issued, but yet to be effective

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

		Effective for financial periods beginning on or after
<u>New MFRSs</u>		
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
<u>Amendments/Improvements to MFRSs</u>		
MFRS 2	Share-based Payment	1 January 2018
MFRS 5	Non-current Asset Held for Sale and Discontinued Operations	1 January 2016
MFRS 7	Financial Instruments: Disclosures	1 January 2016
MFRS 10	Consolidated Financial Statements	Deferred/1 January 2016
MFRS 11	Joint Arrangements	1 January 2016
MFRS 12	Disclosure of Interest in Other Entities	1 January 2016
MFRS 101	Presentation of Financial Statements	1 January 2016
MFRS 107	Statement of Cash Flows	1 January 2017
MFRS 112	Income Taxes	1 January 2017
MFRS 116	Property, Plant and Equipment	1 January 2016

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. BASIS OF PREPARATION *cont'd*

2.2 New MFRSs and amendments/improvements to MFRSs that have been issued, but yet to be effective *cont'd*

The Group and the Company have not adopted the following new MFRSs and amendments/improvements to MFRSs that have been issued, but yet to be effective: *cont'd*

		Effective for financial periods beginning on or after
MFRS 119	Employee Benefits	1 January 2016
MFRS 127	Separate financial statements	1 January 2016
MFRS 128	Investments in Associates and Joint Ventures	Deferred/1 January 2016
MFRS 138	Intangible Assets	1 January 2016
MFRS 141	Agriculture	1 January 2016

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

MFRS 9 Financial Instruments

Key requirements of MFRS 9:

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

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

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.
- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. BASIS OF PREPARATION *cont'd*

2.2 New MFRSs and amendments/improvements to MFRSs that have been issued, but yet to be effective *cont'd*

MFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

MFRS 16 Leases

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

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

Amendments to MFRS 7 Financial Instruments: Disclosures

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

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

Amendments to MFRS 101 Presentation of Financial Statements

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

Amendments to MFRS 107 Statement of Cash Flows

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. BASIS OF PREPARATION *cont'd*

2.2 New MFRSs and amendments/improvements to MFRSs that have been issued, but yet to be effective *cont'd*

Amendments to MFRS 112 Income Taxes

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

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

Amendments to MFRS 116 Property, Plant and Equipment

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

Amendments to MFRS 127 Separate Financial Statements

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

Amendments to MFRS 138 Intangible Assets

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

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

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

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

2.3 Functional and presentation currency

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

2.4 Basis of measurement

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. BASIS OF PREPARATION *cont'd*

2.5 Use of estimates and judgement

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

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

(a) Reorganisation

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

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

(b) Subsidiaries and business combination

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

3.1 Basis of consolidation *cont'd*

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

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

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

The accounting policy for goodwill is set out in Note 3.6(a).

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

3.1 Basis of consolidation *cont'd*

(c) Non-controlling interests

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

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

(d) Transactions eliminated on consolidation

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

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

3.2 Separate financial statements

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

3.3 Financial instruments

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

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

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

(a) Subsequent measurement

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

(i) Financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

3.3 Financial instruments *cont'd*

(a) Subsequent measurement *cont'd*

The Group and the Company categorise the financial instruments as follows: *cont'd*

(ii) Financial liabilities

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

(b) Financial guarantee contracts

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

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

(c) Regular way purchase or sale of financial assets

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

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

- (i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
- (ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(d) Derecognition

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

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

(e) Offsetting of financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

3.4 Property, plant and equipment

(a) Recognition and measurement

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

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

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

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

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

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

(b) Subsequent costs

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

(c) Depreciation

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

3.4 Property, plant and equipment *cont'd*

(c) Depreciation *cont'd*

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

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

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

(d) Derecognition

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

3.5 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.

3.6 Leases

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

3.6 Leases *cont'd*

(a) Lessee accounting

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

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

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

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

(b) Lessor accounting

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

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

3.7 Goodwill and other intangible assets

(a) Goodwill

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

(b) Other intangible assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

3.7 Goodwill and other intangible assets *cont'd*

(b) Other intangible assets *cont'd*

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

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

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

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

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

3.8 Inventories

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

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

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

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

3.9 Cash and cash equivalents

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

3.10 Impairment of assets

(a) Impairment and uncollectibility of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

3.10 Impairment of assets *cont'd*

(a) Impairment and uncollectibility of financial assets *cont'd*

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

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

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

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

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

(b) Impairment of non-financial assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

3.10 Impairment of assets *cont'd*

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

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

3.11 Share capital

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

3.12 Revenue and other income

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

(a) Sale of goods

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

(b) Rendering of services

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

(c) Interest income

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

(d) Rental income

Income from the rental of property is recognised on an accrual basis in accordance with the terms of the agreements.

(e) Income distribution from short-term fund

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

3.13 Employee benefits

(a) Short-term employee benefits

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

3.13 Employee benefits *cont'd*

(b) Defined contribution plans

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

3.14 Borrowing costs

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

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

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

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

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

3.15 Tax

(a) Income Tax

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

(i) Current tax

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

(ii) Deferred tax

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

3.15 Tax *cont'd*

(a) Income Tax *cont'd*

(ii) Deferred tax *cont'd*

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

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

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

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

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

(b) Goods and services tax

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

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of GST included.

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

3.16 Operating segments

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

3.17 Fair value measurement

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

3.17 Fair value measurement *cont'd*

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

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

- | | |
|----------|---|
| Level 1: | Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date. |
| Level 2: | Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. |
| Level 3: | Unobservable inputs for the asset or liability. |

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

3.18 Contingencies

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

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

- (a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (b) the amount of the obligation cannot be measured with sufficient reliability.

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

3.19 Earnings per share

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

As disclosed in Note 3.4, the Group reviews the residual values, depreciation rates and depreciation methods at the end of each reporting period. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and therefore, future depreciation charges could be revised.

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

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

(b) Impairment of goodwill

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

The carrying amount of the Group's goodwill and key assumptions used to determine the recoverable amount for different cash-generating units, including sensitivity analysis, are disclosed in Note 8 to the financial statements.

(c) Impairment of financial assets

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

The carrying amounts of the Group's and the Company's financial assets are disclosed in Note 28(a) to the financial statements.

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

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

(e) Impairment of non-financial assets

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

Recoverable amount is measured at the higher of the fair value less cost of disposal for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate. Projected future cash flows are based on the Group's and the Company's estimates, taking into consideration factors such as historical and industry trends, general market and economic conditions and other available information. Cash flows that are projected based on those inputs or assumptions and the discount rate applied in the measurement of value-in-use may have a significant effect on the Group's financial position and results if the actual cash flows are less than the expected.

(f) Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unabsorbed capital allowances based on the projected future profits of the Company to the extent that is probable that taxable profit will be available against which the temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the future performance of the subsidiaries. The carrying amount of the Group's recognised deferred tax assets is disclosed in Note 10.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

5. PROPERTY, PLANT AND EQUIPMENT

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

Group	Leasehold land RM	Leasehold buildings RM	Office equipment and furniture and fittings and computers RM	Motor vehicles RM	Warehouse equipment RM	Renovation RM	Total RM
2015 (unaudited)							
Cost/Valuation							
At 1 July 2014	6,313,805	2,244,177	2,379,082	1,409,668	501,477	721,284	13,569,493
Additions	-	-	83,065	2,294,454	377,515	88,500	2,843,534
Adjustment on revaluation	9,673,460	3,206,304	-	-	-	-	12,879,764
Disposals	-	-	-	(42,000)	(59,216)	-	(101,216)
Elimination of accumulated depreciation on revaluation	(1,218,255)	(429,489)	-	-	-	-	(1,647,744)
At 30 June 2015	14,769,010	5,020,992	2,462,147	3,662,122	819,776	809,784	27,543,831
Accumulated depreciation							
At 1 July 2014	1,182,385	416,782	2,008,873	1,224,116	369,389	245,589	5,447,134
Charge for the financial year	208,758	86,349	174,478	301,203	45,293	72,692	888,773
Disposals	-	-	-	(5,367)	(59,213)	-	(64,580)
Elimination of accumulated depreciation on revaluation	(1,218,255)	(429,489)	-	-	-	-	(1,647,744)
At 30 June 2015	172,888	73,642	2,183,351	1,519,952	355,469	318,281	4,623,583
Carrying amount							
At cost	-	-	278,796	2,142,170	464,307	491,503	3,376,776
At valuation	14,596,122	4,947,350	-	-	-	-	19,543,472
At 30 June 2015	4,596,122	4,947,350	278,796	2,142,170	464,307	491,503	22,920,248

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

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

- (a) Leasehold land of the Group consisting of land with unexpired lease period of more than 50 years.
- (b) During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM2,684,909 (2015: RM2,843,534) and RM62,010 (2015: Nil) respectively, which are satisfied by the following:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
	Unaudited			
Financed by finance lease arrangements	678,955	1,713,400	-	-
Cash payments	2,005,954	1,130,134	62,010	-
	2,684,909	2,843,534	62,010	-

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

	Group	
	2016	2015
	RM	RM
	Unaudited	
Motor vehicles	2,859,325	2,142,150

- (d) Certain leasehold land of the Group with a carrying amount of RM23,813,559 (2015: RM9,578,787) has been pledged to licensed banks to secure credit facilities granted to the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

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

Level 3 fair value

Sales comparison approach

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

Depreciated replacement cost approach

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

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

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

Valuation processes applied by the Company

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

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

Highest and best use

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

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

Group	Cost RM	Accumulated depreciation RM	Net carrying amount RM
2016			
Leasehold land	6,313,805	(1,366,772)	4,947,033
Buildings	2,244,177	(511,776)	1,732,401
Net carrying amount	8,557,982	(1,878,548)	6,679,434
2015 (unaudited)			
Leasehold land	6,313,805	(1,277,662)	5,036,143
Buildings	2,244,177	(462,404)	1,781,773
Net carrying amount	8,557,982	(1,740,066)	6,817,916

6. INVESTMENT PROPERTY

	Group 2016 RM	2015 RM Unaudited
At fair value		
At 1 July 2015/2014	11,029,000	11,029,000
Transferred to property, plant and equipment (Note 5)	(11,029,000)	-
At 30 June	-	11,029,000

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

In the previous financial year, the investment property was pledged to a licensed bank to secure the banking facilities as disclosed in Note 18.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

6. INVESTMENT PROPERTY *cont'd*

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

	2015 RM Unaudited
Rental income	420,600
Direct operating expense	294,631

Fair value information

In the previous financial year, the fair value of the investment property of the Company amounting to RM11,029,000 carried at fair value is categorised at level 3.

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

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

Depreciated replacement cost approach

The buildings and structures are assessed by the estimated cost of reinstating similar new building and an allowable depreciation is made and deducted based on the observed condition of the building. The most significant input into this valuation approach is price per square metre 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 square metre ("sqm") in a range of RM1,620	The higher the price per sqm, the higher the fair value.
		<u>Buildings</u> Price per sqm in a range of RM1,140	
Leasehold land and buildings	Depreciated replacement cost approach	<u>Leasehold land</u> Price per square metre ("sqm") of RM1,620	The higher the price/cost per sqm, the higher the fair value.
		<u>Buildings</u> Reinstatement cost per sqm in a range of RM1,800	The lower the depreciation rate, the higher the fair value.
		Allowance for age and depreciation of 30%	

NOTES TO THE FINANCIAL STATEMENTS

cont'd

6. INVESTMENT PROPERTY *cont'd*

Valuation processes applied by the Company

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

The fair value of investment property is determined by an accredited independent valuer who has valuation experience for similar properties. The valuation company provides the fair value of Company's leasehold land and buildings portfolio every twelve months. Changes in level 3 fair values are analysed 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.

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2016	2015
	RM	RM
At cost		
Unquoted shares, at cost	84,875,739	-

Details of the subsidiaries all of which are incorporated in Malaysia are as follows:

Name of company	Principal activities	Effective equity interest/ Voting rights	
		2016	2015
Kim Teck Cheong Sdn. Bhd. ("KTCSB")	Distribution of consumer packaged goods	100%	-
Kim Teck Cheong Brands Sdn. Bhd. ("KTCSB")	Brand owner and procurement	100%	-
Kim Teck Cheong Distribution Sdn. Bhd. ("KTCDSD")	Distribution of consumer packaged goods	100%	-
Kim Teck Cheong (Sarawak) Sdn. Bhd. ("KTCSB")	Distribution of consumer packaged goods	80%	-
Kim Teck Cheong (Tawau) Sdn. Bhd. ("KTCTSD")	Distribution of consumer packaged goods	100%	-
Kim Teck Cheong (Borneo) Sdn. Bhd. (formerly known as AMDA Marketing (Sabah) Sdn. Bhd.) ("KTCSB")	Distribution of consumer packaged goods	100%	-
Creamos (Malaysia) Sdn. Bhd. ("Creamos")	Manufacture of bakery products	100%	-
Popular Trading (Borneo) Corporation Sdn. Bhd. ("PTBSB")	Trading, general agents and distributors	100%	-

NOTES TO THE FINANCIAL STATEMENTS

cont'd

7. INVESTMENT IN SUBSIDIARIES *cont'd*

(a) Acquisition of KTCSB

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

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

- (a) The results of entities are presented as if the reorganisation occurred from the beginning of the earliest period presented in the financial statements;
- (b) The Company consolidated the assets and liabilities of the KTCSB at their pre-combination carrying amounts. No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the combination that would otherwise be done under the acquisition method; and
- (c) No new goodwill is recognised as a result of the reorganisation. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity as reorganisation reserve or deficit.

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

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

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

7. INVESTMENT IN SUBSIDIARIES *cont'd*

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

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

	Note	Creamos RM	KTCBSB RM	KTCBOSB RM	KTCDSB RM	KTCSSB RM	KTCTSB RM	Total RM
Assets								
Property, plant and equipment	5	10,993,937	-	368,906	7,779,010	697,555	6,435,653	26,275,061
Inventories		448,631	-	8,529,014	11,840,869	5,547,596	5,095,507	31,461,617
Intangible asset		-	-	315,856	-	-	-	-
Trade and other receivables		1,759,829	2,673,640	15,076,590	20,807,700	3,630,823	9,743,635	53,692,217
Tax assets		-	32,808	150,634	-	168,034	-	351,476
Cash and bank balances		357,044	2,011	21,974	11,796,789	685,301	668,925	13,532,044
Total assets		13,559,441	2,708,459	24,462,974	52,224,368	10,729,309	21,943,720	125,312,415
Liabilities								
Loans and borrowings		(6,001,437)	-	(14,354,346)	(16,179,727)	(856,874)	(5,906,501)	(43,298,885)
Trade and other payables		(5,418,673)	(2,504,215)	(5,658,055)	(26,607,800)	(5,877,018)	(4,077,107)	(50,142,868)
Deferred tax liabilities	10	(383,890)	-	(123,074)	(1,083,552)	(56,215)	(863,519)	(2,510,250)
Current tax liabilities		(210,000)	-	-	(465,810)	-	(14,304)	(690,114)
Total liabilities		(12,014,000)	(2,504,215)	(20,135,475)	(44,336,889)	(6,790,107)	(10,861,431)	(96,642,117)
Total identifiable net assets acquired								
Gain on bargain purchase arising from acquisition of subsidiaries		1,545,441	204,244	4,327,499	7,887,479	3,939,202	11,082,289	28,986,154
Goodwill arising on acquisition of subsidiaries		(1,468,010)	(22,087)	-	(334,761)	-	-	(1,824,858)
Non-controlling interests		-	-	-	-	-	-	-
Fair value of consideration transferred		77,431	182,157	5,264,793	7,552,718	3,958,552	14,309,008	31,344,659

NOTES TO THE FINANCIAL STATEMENTS

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NOTES TO THE FINANCIAL STATEMENTS

cont'd

7. INVESTMENT IN SUBSIDIARIES *cont'd*

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

Effects of acquisition on cash flows:

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

Effects of acquisition on the consolidated statement of comprehensive income

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

Less:					
Cash and cash equivalents of subsidiaries acquired	(357,044)	(2,011)	2,598,372	(3,758,136)	595,576
Shares consideration	(77,431)	(182,157)	(5,264,793)	(7,552,718)	(14,309,008)
Net cash (inflows)/outflows on acquisition	(357,044)	(2,011)	2,598,372	(3,758,136)	595,576

NOTES TO THE FINANCIAL STATEMENTS

cont'd

7. INVESTMENT IN SUBSIDIARIES *cont'd*

(c) Acquisition of PTBSB

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

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

The initial accounting for PTBSB's business combination in the consolidated financial statements of the Company involves identifying and determining the fair values to be assigned to PTBSB's identifiable assets, liabilities and contingent liabilities and the cost of the combination. As at 30 June 2016, the fair value of PTBSB's identifiable assets, liabilities and contingent liabilities can only be determined provisionally pending the completion of purchase price allocation ("PPA") on PTBSB's identifiable assets, liabilities and contingent liabilities. PTBSB's business combination has been accounted for using these provisional values. The Group shall recognise any adjustments to these provisional values upon completion of the PPA exercise within 12 months from the acquisition date.

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

	RM
Assets	
Property, plant and equipment	451,277
Inventories	5,934,556
Trade and other receivables	9,222,150
Tax assets	137,016
Cash and bank balances	332,797
Total assets	16,077,796
Liabilities	
Loans and borrowings	(7,486,599)
Trade and other payables	(3,950,205)
Deferred tax liabilities (Note 10)	(18,839)
Total liabilities	(11,455,643)
 Total identifiable net assets acquired	 4,622,153
Goodwill arising from acquisition	1,010,181
Fair value of consideration transferred	5,632,334

NOTES TO THE FINANCIAL STATEMENTS

cont'd

7. INVESTMENT IN SUBSIDIARIES *cont'd*

(c) Acquisition of PTBSB *cont'd*

Effects of acquisition on cash flows:

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

Effects of acquisition on consolidated statement of comprehensive income

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

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

If the acquisition had occurred on 1 July 2015, the consolidated results for the financial year ended 30 June 2016 would have been as follows:

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

(d) The summarised financial information of the non-controlling interests is not presented as it is immaterial to the Group.

8. GOODWILL

	2016 RM	Group 2015 RM Unaudited
Cost		
At 1 July 2015/2014	-	-
Additions	5,981,384	-
At 30 June	5,981,384	-

NOTES TO THE FINANCIAL STATEMENTS

cont'd

8. GOODWILL *cont'd*

Impairment of goodwill

Goodwill arising from business combination has been allocated to the Group's CGUs identified according to the operating segments for impairment testing as follows:

	Group	
	2016	2015
	RM	RM
		Unaudited
Distribution operation	5,981,384	-

For the purpose of impairment testing, goodwill is allocated to the operating divisions of the Group which represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

Key assumptions used in value-in-use calculations

Goodwill is tested for impairment on annual basis by comparing the carrying amount with the recoverable amount of the CGUs based on value-in-use. Value-in-use is determined by discounting the future cash flows based on financial budgets approved by management covering three financial years and no growth rate is projected from the fourth financial year onwards. The key assumptions used for value-in-use calculations are:

Group	Distribution operation
2016	
Key assumptions used in value-in-use calculations	
Sales growth rate	2% - 10%
Gross profit margin	12% - 15%
Discount rate	9.07% - 11.91%

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

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

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

Sensitivity to change in assumptions

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

NOTES TO THE FINANCIAL STATEMENTS

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9. INTANGIBLE ASSET

	Group	
	2016	2015
	RM	RM
	Unaudited	
Cost		
At 1 July 2015/2014	-	-
Acquisition of subsidiaries (Note 7(b))	315,856	-
At 30 June	315,856	-
Accumulated amortisation		
At 1 July 2015/2014	-	-
Amortisation charge for the financial year	(78,964)	-
At 30 June	(78,964)	-
Carrying amount		
At 30 June	236,892	-

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

10. DEFERRED TAX

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
	Unaudited			
Deferred tax assets/(liabilities)				
At 1 July 2015/2014	(3,387,026)	(222,049)	-	-
Recognised in:				
- profit or loss (Note 23)	526,845	(73,833)	267,887	-
- equity (Note 23)	-	(3,091,144)	-	-
Acquisition of subsidiaries (Notes 7(b) and 7(c))	(2,529,089)	-	-	-
At 30 June	(5,389,270)	(3,387,026)	267,887	-

NOTES TO THE FINANCIAL STATEMENTS

cont'd

10. DEFERRED TAX *cont'd*

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

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
	Unaudited			
Deferred tax assets	267,887	-	267,887	-
Deferred tax liabilities	(5,657,157)	(3,387,026)	-	-
	(5,389,270)	(3,387,026)	267,887	-

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

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
	Unaudited			
Deferred tax assets	267,887	-	267,887	-
Deferred tax liabilities	(5,657,157)	(3,387,026)	-	-
	(5,389,270)	(3,387,026)	267,887	-
Deferred tax assets				
Unabsorbed capital allowances	361,826	-	266,399	-
Unutilised tax losses	303,382	-	14,882	-
	665,208	-	281,281	-
Deferred tax liabilities				
Revaluation of property, plant and equipment	(5,255,734)	(3,211,344)	-	-
Differences between the carrying amounts of property, plant and equipment and their tax bases	(798,744)	(175,682)	(13,394)	-
	(6,054,478)	(3,387,026)	(13,394)	-
	(5,389,270)	(3,387,026)	267,887	-

NOTES TO THE FINANCIAL STATEMENTS

cont'd

11. INVENTORIES

	2016 RM	Group 2015 RM Unaudited
At cost		
Trading inventories	59,759,637	23,776,243
Raw materials	529,395	-
Packaging materials	124,728	-
	60,413,760	23,776,243

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Company was RM297,950,234 (2015: RM125,413,613).

In addition, the inventories written off recognised as other expenses during the financial year amounted to RM2,113,098 (2015: RM253,318).

12. TRADE AND OTHER RECEIVABLES

	2016 RM	Group 2015 RM Unaudited	Company 2016 RM	2015 RM
Trade receivables				
External parties	74,423,354	8,837,510	-	-
Amounts due from related companies	-	2,048,782	-	-
Amounts due from subsidiaries	-	-	608,574	-
	74,423,354	10,886,292	608,574	-
Less: Allowance for impairment loss	(49,091)	-	-	-
	74,374,263	10,886,292	608,574	-
Other receivables				
Amounts due from related companies	-	7,374,160	-	-
Amounts due from subsidiaries	-	-	5,235,716	-
Other receivables	16,230,902	6,022,136	-	-
GST refundable	852,217	-	-	-
Deposits	1,039,864	227,550	52,000	-
Prepayments	1,456,787	466,447	361,757	7,041
	19,579,770	14,090,293	5,649,473	7,041
Total trade and other receivables	93,954,033	24,976,585	6,258,047	7,041

NOTES TO THE FINANCIAL STATEMENTS

cont'd

12. TRADE AND OTHER RECEIVABLES *cont'd*

(a) Trade receivables

The Company's normal trade credit terms ranges from 30 days to 90 days (2015: 30 days to 90 days) from date of statement for the month invoice was issued. Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values at the initial recognition.

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

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
	Unaudited			
Neither past due nor impaired	61,751,016	8,456,056	471,943	-
Past due but not impaired				
1 to 30 days past due not impaired	6,970,214	1,690,029	-	-
31 to 60 days past due not impaired	1,641,890	385,195	136,631	-
61 to 90 days past due not impaired	509,829	66,156	-	-
More than 90 days past due not impaired	3,501,314	288,856	-	-
	12,623,247	2,430,236	136,631	-
Impaired	49,091	-	-	-
	74,423,354	10,886,292	608,574	-

Receivables that are neither past due nor impaired

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

Receivables that are impaired

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

	Group	
	2016	2015
	RM	RM
At 1 July 2015/2014	-	-
Charge for the financial year		
- Individual impairment loss	49,091	-
At 30 June	49,091	-

NOTES TO THE FINANCIAL STATEMENTS

cont'd

12. TRADE AND OTHER RECEIVABLES *cont'd*

(a) Trade receivables *cont'd*

Receivables that are impaired *cont'd*

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

(b) Non-trade amounts due from related companies

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

(c) Non-trade amounts due from subsidiaries

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

(d) Other receivables

Included in other receivables are amounts of RM13,855,889 (2015: RM4,666,933), being incentives and claims receivable from trade suppliers in relation to trade-related activities.

13. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
	Unaudited			
Cash and bank balances	21,661,282	16,350,773	12,615,539	2
Cash deposits placed with licensed banks	337,605	-	-	-
Cash and cash equivalents as reported in the statements of financial position	21,998,887	16,350,773	12,615,539	2
Less: Bank overdrafts	(11,100,751)	(2,677,456)	-	-
Cash and cash equivalents as reported in the statements of cash flows	10,898,136	13,673,317	12,615,539	2

The cash deposits placed with licensed banks were placement with period less than 3 months and bear effective interest at rates of 3.15% (2015: Nil) per annum and mature within 3 months.

NOTES TO THE FINANCIAL STATEMENTS

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14. SHARE CAPITAL

	Group/Company			
	Number of shares		Amount	
	2016 UNIT	2015 UNIT	2016 RM	2015 RM
Authorised				
Ordinary shares of RM0.10 each				
At 1 July/date of incorporation	4,000,000	4,000,000	400,000	400,000
Created during the financial year	746,000,000	-	74,600,000	-
At 30 June	750,000,000	4,000,000	75,000,000	400,000
Redeemable preference shares of RM1.00 each				
At 1 July/date of incorporation	-	-	-	-
Created during the financial year	25,000,000	-	25,000,000	-
At 30 June	775,000,000	4,000,000	100,000,000	400,000
Issued and fully paid				
Ordinary shares of RM0.10 each				
At 1 July/date of incorporation	20	20	2	2
Issued during the financial year				
- acquisition of subsidiaries	368,276,980	-	36,827,698	-
- public issue	142,000,000	-	14,200,000	-
At 31 December	510,277,000	20	51,027,700	2
Redeemable preference shares of RM1.00 each				
At 1 July/date of incorporation	-	-	-	-
Issued during the financial year				
- acquisition of subsidiaries	24,001,858	-	24,001,858	-
At 30 June	534,278,858	20	75,029,558	2

(a) During the financial year, the Company:

- (i) increased its authorised share capital from RM400,000 to RM100,000,000 by creation of additional 746,000,000 ordinary shares of RM0.10 each and 25,000,000 redeemable convertible preference shares of RM1 each; and
- (ii) increased its issued and paid-up share capital from RM2 to RM75,029,558 by the allotment of:
 - 368,276,980 new ordinary shares of RM0.10 each and 24,001,858 convertible preference share of RM1 each for the acquisition of subsidiaries as disclosed in Note 7 to the financial statements; and
 - 142,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.15 per ordinary share pursuant to the initial public offering in conjunction with the listing and quotation of the Company on the ACE Market of Bursa Malaysia Securities Berhad.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

14. SHARE CAPITAL *cont'd*

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

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

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

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

15. SHARE PREMIUM

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. The share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act, 1965 in Malaysia.

16. REVALUATION RESERVE

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

17. REORGANISATION DEFICIT

	Group	
	2016	2015
	RM	RM
	Unaudited	
Reorganisation deficit		
At 1 July 2015/2014 (Note (a))	(63,500)	(63,500)
Effect of acquisition of KTCSB	(47,898,748)	-
At 30 June (Notes (a) and (b))	(47,962,248)	(63,500)

NOTES TO THE FINANCIAL STATEMENTS

cont'd

17. REORGANISATION DEFICIT *cont'd*

- (a) As detailed in Note 32, the Company has accounted for the acquisition of KTCSB as a continuation of the acquired entity. Therefore, the share capital of KTCSB is reflected as reorganisation deficit as at 1 July 2014 and 30 June 2015.
- (b) As detailed in Note 33(a), the Company completed its Pre-IPO Reorganisation on 1 July 2015. Consequently, capital reorganisation deficit represents the difference between the purchase consideration to acquire KTCSB and the share capital of KTCSB as at 30 June 2016.

18. LOANS AND BORROWINGS - SECURED

	Group	
	2016	2015
	RM	RM
		Unaudited
Non-current		
Term loans - floating rate	11,194,349	5,833,401
Term loan - fixed rate	243,199	-
Finance lease liabilities (Note 18(g))	3,266,340	1,478,174
	14,703,888	7,311,575
Current		
Bankers' acceptances	79,117,326	24,300,696
Bank overdrafts	11,100,751	2,677,456
Term loans - floating rate	569,906	266,073
Term loan - fixed rate	285,807	-
Finance lease liabilities (Note 18(g))	1,095,261	246,769
Revolving credit	10,000,000	-
	102,169,051	27,490,994
Total loans and borrowings		
Bankers' acceptances	79,117,326	24,300,696
Bank overdrafts	11,100,751	2,677,456
Term loans - floating rate	11,764,255	6,099,474
Term loan - fixed rate	529,006	-
Finance lease liabilities (Note 18(g))	4,361,601	1,724,943
Revolving credit	10,000,000	-
	116,872,939	34,802,569

NOTES TO THE FINANCIAL STATEMENTS

cont'd

18. LOANS AND BORROWINGS - SECURED *cont'd*

- a) The loans and borrowings are secured by the following:
- (i) Facilities agreement together with interest thereon and all monies due and payable;
 - (ii) Legal charge over certain property, plant and equipment and investment property of the Group as disclosed in Notes 4 and 5;
 - (iii) Legal charge over certain property, plant and equipment of a company related to the vendor of PTBSB; and
 - (iv) Corporate guarantee by the Company.

In the previous financial year, landed properties of a company which the directors have interests were pledged for the banking facilities granted to the Group.

- (b) The floating rate term loans of the Group bear interest at rates ranging from 4.45% to 7.35% (2015: 4.45% to 7.35%) per annum and is repayable on terms ranging from 36 to 240 (2015: 36 to 240) equal monthly instalments.
- (c) The fixed rate term loan of the Group bears interest at a rate of 5.30% (2015: 5.30%) per annum and is repayable in 209 (2015: 209) fortnightly instalments.
- (d) The bankers' acceptances bear interest at rates ranging from 2.26% to 6.82% (2015: 3.27% to 4.54%) per annum.
- (e) The bank overdrafts bear interest at rates ranging from 7.15% to 8.45% (2015: 7.85% to 8.35%) per annum.
- (f) The revolving credit bears interest at rate of 4.56% (2015: Nil) per annum.
- (g) Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group	
	2016	2015
	RM	RM
	Unaudited	
Minimum lease payments		
Not later than 1 year	1,329,512	346,896
Later than 1 year and not later than 5 years	3,393,543	1,372,154
Later than 5 years	218,355	335,121
	4,941,410	2,054,171
Less: Future finance charges	(579,809)	(329,228)
Present value of minimum lease payments	4,361,601	1,724,943
Present value of minimum lease payments		
Not later than 1 year	1,095,261	246,769
Later than 1 year and not later than 5 years	3,054,386	1,154,989
Later than 5 years	211,954	323,185
	4,361,601	1,724,943
Less: Amount due within 12 months	(1,095,261)	(246,769)
Amount due after 12 months	3,266,340	1,478,174

NOTES TO THE FINANCIAL STATEMENTS

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19. TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
	Unaudited			
Trade payables				
Third parties	25,300,810	15,560,666	-	-
Amounts due to related companies	-	2,636,872	-	-
	25,300,810	18,197,538	-	-
Other payables				
Other payables	3,382,123	1,726,816	517,148	-
Accruals	421,785	464,851	18,000	18,000
GST payable	285,725	313,919	46,161	-
Deposits	1,817,993	1,124,108	-	-
Amounts due to subsidiaries	-	-	7,489,542	-
Amounts due to related companies	-	2,698,380	-	652,541
	5,907,626	6,328,074	8,070,851	670,541
Total trade and other payables	31,208,436	24,525,612	8,070,851	670,541

- (a) Trade payables are non-interest bearing and the normal credit terms granted to the Group range from 30 to 90 days (2015: 30 to 90 days).
- (b) The non-trade amounts due to subsidiaries were unsecured, interest-free, payable upon demand and are expected to be settled in cash.
- (c) The non-trade amounts due to related companies were unsecured, interest-free, payable upon demand and are expected to be settled in cash.
- (d) Included in the deposits of the Group are trade security deposits from customers amounting to RM1,802,893 (2015: RM1,002,808).

20. REVENUE

	Group		Company	
	1.7.2015 to 30.6.2016	1.7.2014 to 30.6.2015	1.7.2015 to 30.6.2016	17.10.2014 to 30.6.2015
	RM	RM	RM	RM
	Unaudited			
Sales of goods	341,125,907	140,768,348	-	-
Management fees	-	-	1,849,943	-
	341,125,907	140,768,348	1,849,943	-

NOTES TO THE FINANCIAL STATEMENTS

cont'd

21. PROFIT/(LOSS) BEFORE TAX

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

	Note	Group		Company	
		1.7.2015 to 30.6.2016	1.7.2014 to 30.6.2015	1.7.2015 to 30.6.2016	17.10.2014 to 30.6.2015
		RM	RM	RM	RM
		Unaudited			
Amortisation of intangible asset		78,964	-	-	-
Auditors' remuneration					
- statutory audit		118,000	37,000	16,000	18,000
- under/(over) provision in prior financial year		14,500	-	(8,000)	-
- other services		109,000	-	2,000	-
Bad debt written off		38,818	-	-	-
Depreciation of property, plant and equipment	5	2,957,521	888,773	6,201	-
Employee benefits expense	22	14,479,791	5,625,975	2,145,500	20,000
Gain on bargain purchase arising from acquisition of subsidiaries		1,824,858	-	-	-
Gain on disposal of non-current assets held for sale		-	(822,000)	-	-
Gain on disposal of property, plant and equipment		(79,226)	(98,333)	-	-
Realised gain on foreign exchange		(3,020)	-	-	-
Impairment on trade receivables		49,091	-	-	-
Interest expense:					
- bank overdraft		1,083,946	78,320	-	-
- bankers' acceptance		3,079,941	1,083,201	-	-
- finance lease liabilities		273,646	80,973	-	-
- term loans		537,537	309,442	-	-
Interest income		(264,626)	(42,851)	(91,259)	-
Income distribution from short-term fund		(54,936)	-	(54,936)	-
Inventories written off		2,113,098	253,318	-	-
Property, plant and equipment written off		3	-	-	-
Rental expense on:					
- warehouses and offices		1,081,055	476,541	-	-
- equipment		254,442	162,419	-	11,829
Rental income on:					
- motor vehicles		(526,252)	(460,200)	-	-
- warehouses and offices		(87,200)	(191,493)	-	-

NOTES TO THE FINANCIAL STATEMENTS

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22. EMPLOYEE BENEFITS EXPENSE

(a) Employee benefits expense:

	Group		Company	
	1.7.2015 to 30.6.2016	1.7.2014 to 30.6.2015	1.7.2015 to 30.6.2016	17.10.2014 to 30.6.2015
	RM	RM	RM	RM
	Unaudited			
Salaries, wages, bonuses, allowances and incentives	12,884,289	5,044,509	2,001,939	20,000
Defined contribution plan	1,438,852	522,246	138,996	-
Social security contribution	156,650	59,220	4,565	-
	14,479,791	5,625,975	2,145,500	20,000

Included in employee benefits expenses are:

	Group		Company	
	1.7.2015 to 30.6.2016	1.7.2014 to 30.6.2015	1.7.2015 to 30.6.2016	17.10.2014 to 30.6.2015
	RM	RM	RM	RM
	Unaudited			
Directors of the Company				
Executive:				
Fees	87,570	612,000	87,570	-
Other emoluments	1,520,364	71,000	1,132,856	20,000
	1,607,934	683,000	1,220,426	20,000
Non-executive:				
Fees	228,800	-	166,800	-
Other emoluments	4,000	-	4,000	-
	232,800	-	170,800	-
	1,840,734	683,000	1,391,226	20,000

NOTES TO THE FINANCIAL STATEMENTS

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23. TAX EXPENSE/(CREDIT)

	Group		Company	
	1.7.2015 to 30.6.2016	1.7.2014 to 30.6.2015	1.7.2015 to 30.6.2016	17.10.2014 to 30.6.2015
	RM	RM	RM	RM
	Unaudited			
Current income tax:				
Based on results of current financial year	1,804,021	1,196,000	-	-
Real property gain tax	-	100,488	-	-
Under/(Over) provision in prior financial years	9,676	(20,907)	-	-
	1,813,697	1,275,581	-	-
Deferred tax (Note 10):				
Origination and reversal of temporary differences	(583,030)	(37,010)	(267,887)	-
Under provision in prior financial years	56,185	110,843	-	-
	(526,845)	73,833	(267,887)	-
Tax expense/(credit) recognised in profit or loss	1,286,852	1,349,414	(267,887)	-
Tax expense recognised in other comprehensive income	-	3,091,144	-	-

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

	Group		Company	
	1.7.2015 to 30.6.2016	1.7.2014 to 30.6.2015	1.7.2015 to 30.6.2016	17.10.2014 to 30.6.2015
	RM	RM	RM	RM
	Unaudited			
Profit/(Loss) before tax	3,216,830	4,936,792	(2,943,840)	(663,500)
Tax at Malaysian statutory income tax rate of 24% (2015 : 25%)	772,039	1,234,198	(706,522)	(165,875)
Tax effects arising from:				
- non-deductible expenses	550,777	192,191	438,635	165,875
- changes in tax rate	-	(306)	-	-
- non-taxable income	(15,289)	(230,083)	-	-
- real property gain tax	-	100,488	-	-
- crystallisation of deferred tax liabilities	(86,536)	(37,010)	-	-
Under/(Over) provision in prior prior financial years				
- income tax	9,676	(20,907)	-	-
- deferred tax	56,185	110,843	-	-
Income tax expense/(credit)	1,286,852	1,349,414	(267,887)	-

Domestic tax is calculated at the Malaysian statutory income tax rate of 24% (2015: 25%) of the estimated assessable profit for the financial year.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

24. EARNINGS PER SHARE

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

	2016 RM	Group 2015 RM Unaudited
Basic earnings per share		
Profit attributable to the owners of the Company:	1,851,566	3,587,378
Weighted average number of ordinary shares for basic earnings per share	453,244,213	224,781,542
Basic earnings per share (sen)	0.41	1.60

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

	2016 RM	Group 2015 RM Unaudited
Diluted earnings per share		
Profit attributable to the owners of the Company:	1,851,566	3,587,378
Weighted average number of ordinary shares for basic earnings per share	453,244,213	224,781,542
Effect of dilution from:		
- redeemable convertible preference shares	160,012,387	160,012,387
	613,256,600	384,793,928
Diluted earnings per share (sen)	0.30	0.93

In the previous financial year, the weighted average number of ordinary shares in issue is adjusted for the number of ordinary shares issued as the consideration for the acquisition of KTCSB.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

25. CONTINGENT LIABILITIES (UNSECURED)

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
	Unaudited			
Bank guarantees granted to suppliers for supply of goods of a related company	-	7,300,000	-	-

26. CAPITAL AND OTHER COMMITMENTS

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

	Group	
	2016	2015
	RM	RM
	Unaudited	
In respect of capital expenditure approved and contracted for:		
- acquisition of distribution business in Brunei	1,788,480	1,542,000
- acquisition of subsidiaries	2,235,482	60,829,558
- property, plant and equipment	5,954,190	-
	9,978,152	62,371,558

- (b) The Group leases a number of warehouses under operating lease for lease term between 2 to 10 years, with option to renew the lease at the end of the lease term.

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

	Group	
	2016	2015
	RM	RM
	Unaudited	
- Not later than one year	975,200	416,100
- More than one year and not later than five years	3,698,800	8,000
- More than five years	1,668,000	-
	6,342,000	424,100

NOTES TO THE FINANCIAL STATEMENTS

cont'd

27. RELATED PARTIES

(a) Identity of related parties

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

Related parties of the Group include:

- (i) Holding companies;
- (ii) Subsidiaries;
- (iii) Related companies in certain which directors have substantial financial interests; and
- (iv) Key management personnel of the Group's and the Company's holding company, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

(b) Significant related party transactions

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

	Group	
	1.7.2015 to 30.6.2016 RM	1.7.2014 to 30.6.2015 RM
		Unaudited
Transactions with related companies are as follows:		
- Sale of goods	-	20,588,607
- Purchase of goods	-	2,173,176
- Rental income	-	374,400
- Management fee received	-	360,000
- Interest income	-	74,201
- Supply chain income	-	1,550,286

	Company	
	1.7.2015 to 30.6.2016 RM	1.7.2014 to 30.6.2015 RM
		Unaudited
Transactions with subsidiaries are as follows:		
- Management fee received and receivable	1,849,943	-

NOTES TO THE FINANCIAL STATEMENTS

cont'd

27. RELATED PARTIES *cont'd*

(c) Compensation of key management personnel

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

The remuneration of the key management personnel is as follows:

	Group		Company	
	1.7.2015 to 30.6.2016	1.7.2014 to 30.6.2015	1.7.2015 to 30.6.2016	17.10.2014 to 30.6.2015
	RM	RM	RM	RM
	Unaudited			
Salaries, fees and incentives	1,762,170	683,000	1,325,170	20,000
Defined contribution plan	77,290		65,040	
Social security contribution	1,274	-	1,016	-
	1,840,734	683,000	1,391,226	20,000

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
	Unaudited			
Financial Assets				
<u>Loans and receivables</u>				
- Trade and other receivables, excluding prepayments and GST refundable	91,645,029	24,510,138	5,896,290	-
- Deposits, cash and cash balances	21,998,887	16,350,773	12,615,539	2
	113,643,916	40,860,911	18,511,829	2
Financial Liabilities				
<u>Other financial liabilities</u>				
- Trade and other payables, excluding of GST payable	30,922,711	24,211,693	8,024,690	670,541
- Loans and borrowings	116,872,939	34,802,569	-	-
	147,795,650	59,014,262	8,024,690	670,541

(b) Fair value measurement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

28. FINANCIAL INSTRUMENTS *cont'd*

(b) Fair value measurement *cont'd*

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

	Carrying amount RM	Fair value of financial instruments not carried at fair value			
		Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group					
2016					
Financial liabilities					
Other financial liabilities					
- finance lease liabilities	4,361,601	-	4,306,562	-	4,306,562
- fixed rate term loan	529,006	-	543,576	-	543,576
	4,890,607	-	4,850,138	-	4,850,138
2015 (unaudited)					
Financial liabilities					
Other financial liabilities					
- finance lease liabilities	1,724,943	-	1,846,990	-	1,846,990
	1,724,943	-	1,846,990	-	1,846,990

Level 2 fair value

Fair value of financial instruments carried at fair value

The fair value of the finance lease liabilities and fixed rate term loan are determined using the discounted cash flows method based on discount rates that reflects the market borrowing rate as at the end of the reporting period.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

(a) Interest rate risk *cont'd*

Sensitivity analysis

As at the reporting date, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM415,043 (2015: RM124,041) higher/lower respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the current observable market environment.

(b) Liquidity risk

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

Analysis of financial instruments by remaining contractual maturities

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

	Carrying amount RM	On demand within 1 year RM	Between 1 and 5 years RM	More than 5 years RM	Total RM
Group					
2016					
Financial liabilities:					
Trade and other payables	30,922,711	30,922,711	-	-	30,922,711
Loans and borrowings	116,872,939	102,842,763	7,699,238	11,794,654	122,336,655
	147,795,650	133,765,474	7,699,238	11,794,654	153,259,366
2015 (unaudited)					
Financial liabilities:					
Trade and other payables	24,211,693	24,211,693	-	-	24,211,693
Loans and borrowings	34,802,569	27,855,448	3,493,754	6,302,121	37,651,323
	59,014,262	52,067,141	3,493,754	6,302,121	61,863,016
Company					
2016					
Financial liabilities:					
Trade and other payables	8,024,690	8,024,690	-	-	8,024,690
2015					
Financial liabilities:					
Trade and other payables	670,541	670,541	-	-	670,541

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

(c) Credit risk

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

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

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

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

Exposure to credit risk

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

Credit risk concentration profile

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

In the previous financial year, the Group has a significant concentration of credit risk in the form of a major trade receivable, representing approximately 14.2% of the Group's total trade receivables.

Financial guarantees

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

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

The maximum exposure to credit risk amounted to RM100,218,077 (2015: Nil), representing the outstanding credit facilities of the subsidiaries and bank guarantee of the third parties guaranteed by the Company at the reporting date. At the reporting date, there was no indication that the subsidiaries and the third parties would default on their repayments.

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

30. SEGMENT INFORMATION

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

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

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

Segment profit

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

Segment assets

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

Segment liabilities

Segment liabilities are not included in the internal reports that are reviewed by the Managing Director, hence no disclosures are made on segment liabilities.

	Note	Distribution RM	Manufacturing RM	Others RM	Adjustments and Elimination RM	Total RM
2016						
Revenue						
Revenue from external customers		334,159,359	6,966,548	-		341,125,907
Inter-segment revenue	a	25,803,626	-	1,849,942	(27,653,568)	-
Total revenue		359,962,985	6,966,548	1,849,942	(27,653,568)	341,125,907

NOTES TO THE FINANCIAL STATEMENTS

cont'd

30. SEGMENT INFORMATION *cont'd*

Segment liabilities *cont'd*

	Note	Distribution RM	Manufacturing RM	Others RM	Adjustments and Elimination RM	Total RM
2016						
Results						
Income distribution from short-term						
Interest income		168,865	4,502	91,259		264,626
Interest expenses		(4,627,342)	(347,728)	-	-	(4,975,070)
Depreciation		(1,845,595)	(630,104)	(6,201)	(475,621)	(2,957,521)
Rental expenses on:						
- warehouse and office						-
- office equipment						-
Other non-cash expenses	b	(1,707,488)	(493,522)	-	-	(2,201,010)
Segment profit/(loss)	c	5,110,862	(220,464)	(2,943,840)	1,270,272	3,216,830
Assets:						
Additions to non-current assets (excluding financial assets and deferred tax assets)	d	1,605,597	1,017,302	62,010	33,023,578	35,708,487
Segment assets	e	239,101,995	14,900,756	104,091,771	(113,670,083)	244,424,439
Liabilities:						
Segment liabilities	f	166,634,793	13,473,549	8,070,851	(34,410,337)	153,768,856

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

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

	2016 RM
Inventories written off	(2,113,098)
Property, plant and equipment written off	(3)
Bad debts written off	(38,818)
Impairment loss on trade receivables	(49,091)
	(2,201,010)

NOTES TO THE FINANCIAL STATEMENTS

cont'd

30. SEGMENT INFORMATION *cont'd*

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

	2016 RM
Profit from inter-segment sales	(1,814,942)
Unallocated corporate expenses	3,625,985
Other income	(540,771)
	1,270,272

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

	2016 RM
Property, plant and equipment	29,411,247
Goodwill on consolidation	5,981,384
Intangible assets	315,856
	35,708,487

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

	2016 RM
Inter-segment assets	(113,670,083)

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

	2016 RM
Inter-segment liabilities	(34,410,337)

NOTES TO THE FINANCIAL STATEMENTS

cont'd

30. SEGMENT INFORMATION *cont'd*

Geographical Information

- (i) The following table provides an analysis of the Group revenue by geographical segment:

	2016 RM
Revenue from sales to external customers by location of the customers	
Sabah	299,023,785
Sarawak	25,540,056
Labuan	16,562,066
	341,125,907

- (ii) The following is the analysis of non-current assets, other than financial instruments and deferred tax assets, which is analysed by the Group's geographical location:

	Sabah RM	Sarawak RM	Total RM
2016			
Property, plant and equipment	59,323,271	978,581	60,301,852
Goodwill on consolidation	4,164,013	1,817,371	5,981,384
Intangible assets	236,892	-	236,892
	63,724,176	2,795,952	66,520,128

Major customers

There is no major customer with revenue equal or more than ten percent (10%) of the revenue of the Group.

31. CAPITAL MANAGEMENT

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

The Group and the Company manage their capital structure, and make adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares, raise new debts and reduce existing debts.

The Group and the Company monitor capital using a gearing ratio, which is net debts divided by total capital plus net debts. Net debts comprise total borrowings and trade and other payables, less cash and bank balances and cash deposits placed with a licensed bank whilst total capital is the equity attributable to the owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

31. CAPITAL MANAGEMENT *cont'd*

The gearing ratio is as follows:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
	Unaudited			
Loans and borrowings	116,872,939	34,802,569	-	-
Trade and other payables	31,208,436	24,525,612	8,070,851	670,541
Less:				
Deposit, cash and bank balances	(21,998,887)	(16,350,773)	(12,615,539)	(2)
Net debt	126,082,488	42,977,408	(4,544,688)	670,539
Equity attributable to the owners of the Company/ total capital	89,789,331	36,476,142	96,020,920	(663,498)
Total capital and net debt	215,871,819	79,453,550	91,476,232	7,041
Gearing ratio	58%	54%	*	9523%

* *Not meaningful*

The Company is not subject to any externally imposed capital requirements.

32. COMPARATIVE FIGURES

Group

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

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

The comparatives are not audited as the combined group was not in existence in the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

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33. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) The Company had on 1 July 2015:

- (i) became the subsidiary of Kim Teck Cheong Holding Sdn. Bhd. upon the completion of the acquisitions of subsidiary companies as disclosed in Note 7(a) and (b).
- (ii) increased its authorised share capital from RM400,000 to RM75,000,000 through the creation of 746,000,000 new ordinary shares of RM0.10 each and 25,000,000 redeemable convertible preference shares of RM1 each ("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 new ordinary shares of RM0.10 to Kim Teck Cheong Holdings Sdn. Bhd. and the allotment of 24,001,858 RCPS to Kim Teck Cheong Holdings Sdn. Bhd. upon the completion of the acquisitions of the equity interest of the subsidiaries as disclosed in Note 7(a) and (b).

On 25 November 2015, the Company had successfully listed on the ACE Market of Bursa Malaysia Securities Berhad.

(b) On 29 January 2016, KTC Consolidated entered into a Conditional Sale of Shares Agreement to acquire 100% equity interest in Popular Trading (Borneo) Corporation Sdn Bhd ("PTBC") for a purchase price of RM5,632,334 ("the Acquisition").

The Acquisition was completed on 30 May 2016 and PTBC became a wholly-owned subsidiary company of KTC Consolidated. The financial effects arising from the acquisition are disclosed in Note 7(c).

(c) On 29 February 2016, the Company had entered into a Memorandum of Understanding with the intention to acquire 100% equity interest in Trans Paint Sdn. Bhd., which is the sole registered and beneficial owner of a property, namely warehousing facility located at Kuching, Sarawak for an estimated purchase price of RM2,572,756.80.

On 7 September 2016, the Company had entered into a share sale and purchase agreement to acquire entire equity interest in Trans Paint Sdn. Bhd., for a purchase consideration of RM2,535,482 to be funded via the initial public offering proceeds. The acquisition is yet to be completed at the date of authorisation of these financial statements.

(d) On 16 March 2016, the Company had entered into the following 2 conditional agreements:

- (i) conditional share purchase agreement to acquire a total of 80,000 ordinary shares of B\$1.00 each in Grandtop Marketing Sdn Bhd for a consideration of B\$80,000.00 (equivalent to approximately RM238,464.00) only, and
- (ii) conditional share subscription agreement to subscribe for 520,000 new ordinary shares of B\$1.00 each in Grandtop Marketing Sdn Bhd for a consideration of B\$520,000.00 (equivalent to approximately RM1,550,016.00).

The 2 conditional agreements will enable the Company to collectively hold 60% equity interest in Grandtop Marketing Sdn Bhd.

The acquisition is yet to be completed at the date of authorisation of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad issued a directive pursuant to paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as at the end of the reporting period, into realised and unrealised profits and losses.

The following analysis of realised and unrealised profits or losses included in the retained earnings/(accumulated losses) of the Group and the Company as at 30 June 2016 and 30 June 2015 are presented in accordance with the directive of Bursa Malaysia Securities Berhad and prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
	Unaudited			
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:				
- realised	52,138,563	28,726,244	(3,607,340)	(663,500)
- unrealised	(133,536)	1,353,318	267,887	-
	52,005,027	30,079,562	(3,339,453)	(663,500)
Consolidation adjustments	(17,853,712)	-	-	-
Total retained earnings/(accumulated losses)	28,895,581	26,868,218	(3,339,453)	(663,500)

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not applied for any other purpose.

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, **DATUK LAU KOH SING @ LAU KOK SING** and **LAU WEI DICK @ DEXTER DICK LAU**, being two of the directors of Kim Teck Cheong Consolidated Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 51 to 117 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2016 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 118 has been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

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

DATUK LAU KOH SING @ LAU KOK SING
Director

LAU WEI DICK @ DEXTER DICK LAU
Director

Kota Kinabalu

Date: 25 October 2016

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, **CHRISTINA YAP CHUI FUI**, being the officer primarily responsible for the financial management of Kim Teck Cheong Consolidated Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 51 to 117 and the supplementary information set out on page 118 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHRISTINA YAP CHUI FUI

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 25 October 2016.

Before me,

TAN KIM CHOOI (No. W661)
Commissioner of Oaths

INDEPENDENT AUDITORS' REPORT

To the members of Kim Teck Cheong Consolidated Berhad
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Kim Teck Cheong Consolidated Berhad, which comprise the statements of financial position as at 30 June 2016 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 51 to 117.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2016 and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.
- b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- c) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT

To the members of Kim Teck Cheong Consolidated Berhad

(Incorporated in Malaysia)

cont'd

Other Reporting Responsibilities

The supplementary information set out on page 118 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad ("Bursa Securities") and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Securities. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Securities.

Other Matters

- (a) Without qualifying our report, we draw attention to Note 32 to the financial statements which states that the Group's comparative figures disclosed in the financial statements have not been audited.
- (b) This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

BAKER TILLY MONTEIRO HENG

No. AF 0117

Chartered Accountants

Kuala Lumpur

Date: 25 October 2016

LEE KONG WENG

No. 2967/07/17(J)

Chartered Accountant

GROUP'S PROPERTIES

As at 30 June 2016

Registered/ Beneficial Owner	Title/Address	Description/Existing Use	Age of the Building ^u / Tenure	Land/ Built-up Area sq ft	Date of Last Revaluation	Carrying Amount as at 30 June 2016 RM
Creamos Malaysia	Title Master Title CL 015585501, District of Kota Kinabalu, State of Sabah Address Lot No. 3, Lorong 1F KKIP Selatan, Industrial Zone 4 (I.Z. 4), Kota Kinabalu Industrial Park, 88460 Telipok, Kota Kinabalu, Sabah ("Lot 3")	Description Industrial land with a detached 3-storey office cum single-storey warehouse building Existing use (i) Ground floor of the 3-storey office is used by Creamos Malaysia as storage; (ii) A portion of ground floor (approximately 235 sq ft) is used by Creamos Malaysia as sanitation room; (iii) First and second floor of the 3-storey office is used by Creamos Malaysia as office; and (iv) Warehouse building is used by Creamos Malaysia as factory. A small part of the exterior of the building at Lot 3 is used by Digi Telecommunications Sdn Bhd for the installation of base transceiver station facility and for the installation of antennas and/ or other telecommunications equipment.	Approximate age of the building 7 years Tenure 99 years expiring 31 December 2098	81,457/ 20,595	29 May 2015	7,383,771
KTC Distribution	Title Master Title CL 015585501, District of Kota Kinabalu, State of Sabah Address Lot No. 5, Jalan 1F K.K.I.P, Kota Kinabalu Industrial Park (KKIP), Industrial Zone 4 (IZ4), 88460 Kota Kinabalu, Sabah	Description Industrial land with a detached single-storey warehouse/cold room storage industrial building Existing Use Entire building is used by KTC Distribution as office and warehouse storage.	Approximate age of the building 3 years Tenure 99 years expiring on 31.12.2098	105,809/ 15,500	20 October 2014	7,032,821

GROUP'S PROPERTIES

As at 30 June 2016

cont'd

Registered/ Beneficial Owner	Title/Address	Description/Existing Use	Age of the Building ^u / Tenure	Land/ Built-up Area sq ft	Date of Last Revaluation	Carrying Amount as at 30 June 2016 RM
KTC Sdn Bhd	Title CL 015379674, District of Kota Kinabalu, State of Sabah Address No. 22, Jalan Kilang, SEDCO Light Industrial Estate, Kolombong, Off KM 9, Jalan Tuaran 88450, Kota Kinabalu Sabah	Description Industrial land with a detached 2-storey office building annexed with a single-storey warehouse and an extended warehouse Existing use (i) Ground floor of the 2-storey office building is used by KTC Borneo as office; (ii) First floor of the 2-storey office building is used by KTC Sdn Bhd as office; (iii) A portion of first floor (approximately 100 sq ft) is used by Glaxosmithkline Consumer Healthcare Sdn Bhd as office; (iv) A portion of first floor (approximately 100 sq ft) is used by Kimberly-Clark Trading (M) Sdn Bhd as office; (v) A portion of first floor (approximately 100 sq ft) is used by Hawley & Hazel Chemical Co. (HK) Sdn Bhd as office; and (vi) Existing and extended warehouses are used by KTC Borneo as warehouse storage.	Approximate age of the building 33 years and 28 years (for extended warehouse) Tenure 60 years expiring on 31.12.2034	53,580/ 26,600	20 October 2014	10,553,379
KTC Sdn Bhd	Title CL 015620701, District of Kota Kinabalu, State of Sabah Address Lot 74A, Jalan Kilang, SEDCO Light Industrial Estate, Kolombong, Off KM 9 Jalan Tuaran, 88450 Kota Kinabalu, Sabah	Description Industrial land with a semi- detached 2-storey showroom/ office-cum-single-storey- warehouse Existing Use (i) Ground and first floor of the showroom/office is used by KTC Sdn Bhd as office; and (ii) Warehouse is used by KTC Sdn Bhd for warehouse storage.	Approximate age of the building 10 years Tenure 60 years expiring on 31.12.2072	20,076/ 11,592	20 October 2014	4,934,007

GROUP'S PROPERTIES

As at 30 June 2016

cont'd

Registered/ Beneficial Owner	Title/Address	Description/Existing Use	Age of the Building ^u / Tenure	Land/ Built-up Area sq ft	Date of Last Revaluation	Carrying Amount as at 30 June 2016 RM
KTC Sdn Bhd	Title CL 015620710, District of Kota Kinabalu, State of Sabah Address Lot 74B, Jalan Kilang, SEDCO Light Industrial Estate, Kolombong, Off KM 9 Jalan Tuaran, 88450 Kota Kinabalu, Sabah	Description Industrial land with a semi- detached 2-storey showroom/ office-cum-single-storey- warehouse Existing Use (i) Ground floor of the showroom/office is used by KTC Sdn Bhd as office; (ii) First floor is used by KTC Sdn Bhd as office and a portion (approximately 1,000 sq ft) is used by Danone Dumex (Malaysia) Sdn Bhd as office; and (iii) Warehouse is used by KTC Sdn Bhd for warehouse storage.	Approximate age of the building 10 years Tenure 60 years expiring on 31.12.2072	19,540/ 11,592	20 October 2014	4,842,702
KTC Sdn Bhd	Title CL 015424423, District of Kota Kinabalu, State of Sabah Address Lot 73, Jalan Kilang, SEDCO Light Industrial Estate, Kolombong, Off KM 9 Jalan Tuaran, 88450, Kota Kinabalu, Sabah	Description Industrial land with a detached single-storey warehouse cum 2- storey office building Existing Use (i) Ground floor and first floor of the office building are used by KTC Sdn Bhd as office; and (ii) Warehouse is used by KTC Sdn Bhd as warehouse storage.	Approximate age of the building 22 years Tenure 60 years expiring on 31.12.2070	42,857/ 17,600	20 October 2014	9,396,569
KTC Tawau	Title CL 105508601, CL 105508610, CL 105508629, District of Tawau, State of Sabah Address TB 9889, Lot 1A, 2A and 3A, Perdana Square, KM 6, Jalan Apas, 91000 Tawau, Sabah	Description Three (3) parcel of commercial lands with 2-storey office cum single-storey warehouse building Existing Use (i) First floor of the building is used as office; and (ii) Ground floor of the building and high ceiling warehouse area is used as warehouse storage.	Approximate age of the building 6 years Tenure 99 years expiring on 31.12.2101	35,761/ 22,974	20 October 2014	6,140,885

ANALYSIS OF SHAREHOLDINGS

As at 07 October 2016

Authorised Share Capital	:	RM100,000,000 divided into: 750,000,000 Ordinary Shares of RM0.10 each and 25,000,000,000 Redeemable Convertible Preference Shares of RM1.00 each
Issued and fully paid-up Share Capital	:	RM51,027,700 divided into 510,277,000 Ordinary Shares of RM0.10 each and RM24,001,858 divided into 24,001,858 Redeemable Convertible Preference Shares of RM1.00 each
Class of Shares	:	Ordinary Shares of RM0.10 each Redeemable Convertible Preference Shares of RM1.00 each
Voting Rights	:	One (1) vote per Ordinary Share The Redeemable Convertible Preference Share does not carry voting right except circumstances set out in the Company's Articles of Association
Number of Shareholders	:	2,581

DISTRIBUTION OF ORDINARY SHAREHOLDINGS

Size of Holdings	No. of Shareholders	%	Shareholdings	%
Less than 100	2	0.08	100	0.00
100 – 1,000	146	5.66	99,650	0.02
1,001 – 10,000	984	38.12	6,745,800	1.32
10,001 – 100,000	1,272	49.28	47,261,850	9.26
100,001 to less than 5% of issued share capital	176	6.82	87,892,600	17.23
5% and above of issued share capital	1	0.04	368,277,000	72.17
Total	2,581	100.00	510,277,000	100.00

DISTRIBUTION OF SHAREHOLDINGS IN REDEEMABLE PREFERENCE SHARES ("RCPS")

Size of Holdings	No. of RCPS Shareholders	Shareholdings	%
Less than 100	-	-	-
100 – 1,000	-	-	-
1,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 to less than 5% of issued share capital	-	-	-
5% and above of issued share capital	1	24,001,858	100.00
Total	1	510,277,000	100.00

ANALYSIS OF SHAREHOLDINGS

As at 07 October 2016

cont'd

SUBSTANTIAL SHAREHOLDERS

As per the Register of Substantial Shareholders

Name	Direct	Shareholdings		
		%	Indirect	%
Kim Teck Cheong Holdings Sdn Bhd	368,277,000	72.17	-	-
Kim Teck Cheong Capital Sdn Bhd	-	-	368,277,000 ⁽¹⁾	72.17
Y.Bhg. Datuk Lau Koh Sing @ Lau Kok Sing	-	-	368,277,000 ⁽¹⁾	72.17
Y.Bhg Datin Lim Fook Len @ Lim Su Chin	-	-	368,277,000 ⁽²⁾	72.17
Lau Wei Dick @ Dexter Dick Lau	-	-	368,277,000 ⁽²⁾	72.17
Dr. Benedick Vicpaul Lau	-	-	368,277,000 ⁽²⁾	72.17
Dr. Lindfay Laura Lau	-	-	368,277,000 ⁽²⁾	72.17

Notes:-

- ⁽¹⁾ Deemed interested by virtue of its/his shareholdings in Kim Teck Cheong Holdings Sdn Bhd pursuant to Section 6A of the Companies Act, 1965 ("the Act").
- ⁽²⁾ Deemed interested by virtue of his/her family member's shareholdings in Kim Teck Cheong Holdings Sdn Bhd and his/her shareholdings in Kim Teck Cheong Capital Sdn Bhd pursuant to Sections 6A and 122A of the Act.

DIRECTORS' INTERESTS IN SHARES

As per the Register of Directors' Shareholdings

Name	Direct	Shareholdings		
		%	Indirect	%
Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra	-	-	-	-
Y.A.M. Tengku Datin Paduka Setia Zatashah Binti Sultan Sharafuddin Idris Shah	-	-	-	-
Y.Bhg. Datuk Lau Koh Sing @ Lau Kok Sing	-	-	368,277,000 ⁽¹⁾	72.17
Y.Bhg Datin Lim Fook Len @ Lim Su Chin	-	-	368,277,000 ⁽²⁾	72.17
Lau Wei Dick @ Dexter Dick Lau	-	-	368,277,000 ⁽²⁾	72.17
Lim Hui Kiong	-	-	-	-
Wee Hock Kee	-	-	-	-
Tan Jwee Peng	-	-	-	-

Notes:-

- ⁽¹⁾ Deemed interested by virtue of his shareholdings in Kim Teck Cheong Holdings Sdn Bhd and Kim Teck Cheong Capital Sdn Bhd pursuant to Section 6A of the Act.
- ⁽²⁾ Deemed interested by virtue of his/ her family member's shareholdings in Kim Teck Cheong Holdings Sdn Bhd and his shareholdings Kim Teck Cheong Capital Sdn Bhd pursuant to Sections 6A and 122A of the Act.

ANALYSIS OF SHAREHOLDINGS

As at 07 October 2016

cont'd

DIRECTORS' INTERESTS IN RCPS

As per the Register of Directors' Shareholdings

Name	Shareholdings			
	Direct	%	Indirect	%
Y. Bhg. Datuk Deleon Quadra @ Kamal Quadra	-	-	-	-
Y.A.M. Tengku Datin Paduka Setia Zatashah Binti Sultan Sharafuddin Idris Shah	-	-	-	-
Y.Bhg. Datuk Lau Koh Sing @ Lau Kok Sing	-	-	24,001,858 ⁽¹⁾	100.00
Y.Bhg Datin Lim Fook Len @ Lim Su Chin	-	-	24,001,858 ⁽²⁾	100.00
Lau Wei Dick @ Dexter Dick Lau	-	-	24,001,858 ⁽²⁾	100.00
Lim Hui Kiong	-	-	-	-
Wee Hock Kee	-	-	-	-
Tan Jwee Peng	-	-	-	-

Notes:-

⁽¹⁾ Deemed interested by virtue of his shareholdings in Kim Teck Cheong Holdings Sdn Bhd and Kim Teck Cheong Capital Sdn Bhd pursuant to Section 6A of the Act.

⁽²⁾ Deemed interested by virtue of his/ her family member's shareholdings in Kim Teck Cheong Holdings Sdn Bhd and his shareholdings Kim Teck Cheong Capital Sdn Bhd pursuant to Sections 6A and 122A of the Act.

THIRTY (30) LARGEST SHAREHOLDERS

No.	Name	Shareholdings	%
1.	Kim Teck Cheong Holdings Sdn Bhd	368,277,000	72.171
2.	HSBC Nominees (Asing) Sdn Bhd HSBC-FS I For JPMorgan Malaysia Fund	8,729,900	1.710
3.	Chin Hooi Nan	7,920,000	1.552
4.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad For CIMB-Principal Small Cap Fund (240218)	5,125,100	1.004
5.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Siah Song Lin	4,238,800	0.830
6.	Lee Teck Leong	3,015,000	0.590
7.	Chin Hooi Nan	2,954,000	0.578
8.	CITIGROUP Nominees (Tempatan) Sdn Bhd Universal Trustee (Malaysia) Berhad For CIMB Islamic Small Cap Fund	2,399,100	0.470
9.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Liu Shet Mui (E-KKU)	2,022,400	0.396
10.	CITIGROUP Nominees (Asing) Sdn Bhd Goldman Sachs International	1,800,700	0.352
11.	Ng Choon Chuan	1,766,600	0.346
12.	Cheng Kok Ding @ Tank Kok Ding	1,611,000	0.315
13.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Song Teik Sun (PB)	1,600,000	0.313
14.	Low Kam Fatt	1,600,000	0.313
15.	Mohd Azeem Shah Bin Aziz Mohammed	1,300,000	0.254
16.	HLIB Nominees (Tempatan) Sdn Bhd Hong Leong Bank Bhd For Ramesh A/L Palaniyandy	1,100,000	0.215

ANALYSIS OF SHAREHOLDINGS

As at 07 October 2016

cont'd

THIRTY (30) LARGEST SHAREHOLDERS cont'd

No.	Name	Shareholdings	%
17.	Kua Sai Ling @ Kua Sai Lin	1,060,000	0.207
18.	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Wong Thiam Loi</i>	1,034,500	0.202
19.	Liew Siew Kian	835,000	0.163
20.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Bong Khiong Sin</i>	800,000	0.156
21.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Ow Ping See (E-BCG/KPR)</i>	800,000	0.156
22.	Woo Chee Chiong	670,400	0.131
23.	Public Nominees (Asing) Sdn Bhd <i>Pledged Securities Account For Phang Mah Thiang (E-LBG)</i>	629,600	0.123
24.	Kow Ah Loy	609,900	0.119
25.	Yeoh Chit Wei	601,000	0.117
26.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Soo Chee Ley</i>	600,000	0.117
27.	Ku Ruslan Bin Ku Ahmad	560,000	0.109
28.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Song Teik Sun</i>	517,500	0.101
29.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB Bank For Tan Low Shurn (MY2559)</i>	500,000	0.097
30.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Chan Choong Wei</i>	467,200	0.091
		425,144,700	83.298

LIST OF RCPS HOLDER

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

NOTICE OF SECOND ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Second Annual General Meeting of Kim Teck Cheong Consolidated Berhad (“KTC” or “Company”) will be held at Sheraton Imperial Kuala Lumpur Hotel, Level 3, Penang Room 2, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia on Thursday, 24 November 2016 at 10.00 a.m., or on any adjournment thereof, for the purpose of considering and, if thought fit, passing the following resolutions with or without modifications:

ORDINARY BUSINESS:-

- | | | |
|----|--|--------------------------------------|
| 1. | To receive the Audited Financial Statements for the financial year ended 30 June 2016 together with the Reports of the Directors and Auditors thereon. | Please refer to Note 1 |
| 2. | To approve the payment of Directors’ fees for the financial year ended 30 June 2016. | Resolution 1 |
| 3. | To re-elect the following Directors who retire by rotation pursuant to Article 85 of the Company’s Articles of Association:

Mr. Lau Wei Dick @ Dexter Dick Lau
Y. Bhg. Datin Lim Fook Len @ Lim Su Chin | Resolution 2
Resolution 3 |
| 4. | To consider and, if thought fit, pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:

THAT, pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing be re-appointed as a Director of the Company and to hold office until the conclusion of the Next Annual General Meeting. | Resolution 4 |
| 5. | To re-appoint Messrs. Baker Tilly Monteiro Heng as the Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. | Resolution 5 |

SPECIAL BUSINESS:-

To consider and, if thought fit, pass with or without modifications, the following Ordinary Resolution:-

- | | | |
|----|--|---------------------|
| 6. | ORDINARY RESOLUTION | Resolution 6 |
| | <ul style="list-style-type: none"> • Authority for Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965 <p>“THAT pursuant to Section 132D of the Companies Act, 1965 and subject always to the approvals of the relevant authorities, the Directors be and are hereby authorised to allot and issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the issued and paid-up share capital of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.”</p> | |

ANY OTHER BUSINESS:-

- | | |
|----|---|
| 7. | To transact any other business for which due notice shall have been given in accordance with the Company’s Articles of Association and the Companies Act, 1965. |
|----|---|

NOTICE OF SECOND ANNUAL GENERAL MEETING

cont'd

BY ORDER OF THE BOARD

WONG YOUN KIM (MAICSA 7018778)
Company Secretary

Dated: 31 October 2016
Kuala Lumpur

NOTES:

1. *Item 1 of the Notice of Annual General Meeting is meant for discussion only as the provision of Section 169 (1) of the Companies Act, 1965 does not require a formal approval of shareholders for the Audited Financial Statements and hence, is not put forward for voting.*
2. *A member (other than an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991) is entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company.*
3. *Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
4. *Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
5. *The Form of Proxy shall be signed by the appointer or his attorney duly authorised in writing or, if the member is a corporation, must be executed under its common seal or by its duly authorised attorney or officer.*
6. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited by hand at the Registered Office of the Company not less than 48 hours before the time set for the Annual General Meeting or any adjournment thereof.*
7. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 18 November 2016 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the meeting or appoint proxy(ies) to attend and/or vote on his behalf.*
8. **Explanatory Notes on Special Business**

Resolution 6 pursuant to Section 132D of the Companies Act, 1965

The proposed Ordinary Resolution 6 is intended to empower the Directors of the to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed 10% of the issued and paid-up share capital of the Company for the time being. This authority will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting.

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

STATEMENT ACCOMPANYING NOTICE OF SECOND ANNUAL GENERAL MEETING

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

- 1.1 Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing [Section 129(6) of the Companies Act 1965]
- 1.2 Mr. Lau Wei Dick @ Dexter Dick Lau [Article 85]
- 1.3 Y. Bhg. Datin Lim Fook Len @ Lim Su Chin [Article 85]

The profiles of the Directors who are standing for re-election is set out on pages 8 to 10 of this Annual Report.

The details of attendance of the Directors of the Company at Board of Directors' Meetings held during the financial year ended 30 June 2016 are disclosed in the Corporate Governance Statement set out on page 30 of this Annual Report.

The details of the Second Annual General Meeting are as follows:

Date of Meeting	Time of Meeting	Place of Meeting
Thursday, 24 November 2016	10.00 a.m.	Sheraton Imperial Kuala Lumpur Hotel, Level 3, Penang Room 2, Jalan Sultan Ismail, 50250 Kuala Lumpur

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**KIM TECK CHEONG CONSOLIDATED BERHAD**

(Company No: 1113927-H)

PROXY FORM

I/We _____

(name of shareholder as per NRIC, in capital letters)

NRIC No./Passport No./Company No. _____ (New) _____ (Old)

of _____

(full address)

being a Member/Members of Kim Teck Cheong Consolidated Berhad hereby appoint _____

_____ NRIC No. _____ (New) _____ (Old)
(name of proxy as per NRIC, in capital letters)

of _____

(full address)

or failing him/her the Chairman of the meeting as my/our proxy to vote on my/our behalf at the Second Annual General Meeting of the Company to be held at Sheraton Imperial Kuala Lumpur Hotel, Level 3, Penang Room 2, Jalan Sultan Ismail, 50250 Kuala Lumpur, on Thursday, 24 November 2016 at 10.00 a.m..

I/We direct my/our proxy to vote for or against the resolution to be proposed at the meeting as hereunder indicated.

Ordinary Resolutions		For	Against
1	To approve the payment of Directors' fee for the financial year ended 30 June 2016		
2	Re-election of Director – Mr. Lau Wei Dick @ Dexter Dick Lau		
3	Re-election of Director – Y. Bhg. Datin Lim Fook Len @ Lim Su Chin		
4	Re-appointment of Director – Y. Bhg. Datuk Lau Koh Sing @ Lau Kok Sing		
5	To re-appoint Messrs. Baker Tilly Monteiro Heng as the Auditors of the Company and to authorise the Board of Directors to fix their remuneration		
6	Authority to issue shares pursuant to Section 132D of the Companies Act, 1965		

Dated this _____ day _____ 2016

CDS ACCOUNT NO.	NUMBER OF SHARES HELD

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

Signature/Common Seal

	Percentage
Proxy 1	%
Proxy 2	%
Total	100%

NOTES:

- A member (other than an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991) is entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company.
- Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- The Form of Proxy shall be signed by the appointer or his attorney duly authorised in writing or, if the member is a corporation, must be executed under its common seal or by its duly authorised attorney or officer.
- The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited by hand at the Registered Office of the Company not less than 48 hours before the time set for the Annual General Meeting or any adjournment thereof.
- In respect of deposited securities, only members whose names appear on the Record of Depositors on 18 November 2016 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

Fold this flap for sealing

Then fold here

Affix
stamp

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

1st fold here

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