

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 31 JANUARY 2016

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 31.1.2016 RM'000	AS AT 31.7.2015 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	109,606	111,469
Other investments	528	528
Goodwill on consolidation	1,485	1,485
Deferred tax assets	8,112	6,250
	119,731	119,732
CURRENT ASSETS		
Inventories	572,197	553,548
Trade receivables	6,495	4,755
Non-trade receivables	22,449	17,093
Tax assets	1,619	2,360
Fixed deposits with licensed banks	224	7,610
Cash and bank balances	52,062	30,645
	655,046	616,011
TOTAL ASSETS	774,777	735,743
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share Capital	205,176	205,176
Reserves	251,930	253,928
TOTAL EQUITY	457,106	459,104
NON-CURRENT LIABILITIES		
Long-term borrowings	111,420	103,914
Deferred tax liabilities	10,825	11,391
	122,245	115,305
CURRENT LIABILITIES		
Trade payables	17,337	5,659
Non-trade payables	30,297	25,356
Advance from Ultimate Holding Company	1,249	1,239
Amount due to directors (Note 1)	930	1,847
Short-term borrowings	136,427	122,692
Dividend payables	4,104	-
Tax payable	5,082	4,541
	195,426	161,334
TOTAL LIABILITIES	317,671	276,639
TOTAL EQUITY AND LIABILITIES	774,777	735,743
Net assets per share attributable to ordinary equity owners of the Company (RM)	1.11	1.12

Note 1: Amount due to directors consists of directors' fee and directors' other emoluments.

(The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 July 2015)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 31 JANUARY 2016

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.1.2016 RM'000	QUARTER ENDED 31.1.2015 RM'000	PERIOD ENDED 31.1.2016 RM'000	PERIOD ENDED 31.1.2015 RM'000
Revenue	203,369	216,454	375,666	410,407
Other operating income	258	408	567	1,012
Operating expenses	(197,341)	(203,129)	(365,781)	(389,793)
Profit from operations	6,286	13,733	10,452	21,626
Finance costs	(3,798)	(3,643)	(7,477)	(6,965)
Profit before taxation	2,488	10,090	2,975	14,661
Taxation	(718)	(2,384)	(869)	(3,868)
Profit after taxation	1,770	7,706	2,106	10,793
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,770	7,706	2,106	10,793
Attributable to:--				
Equity holders of the Company	1,770	7,706	2,106	10,793
Non-controlling Interests	-	-	-	-
	1,770	7,706	2,106	10,793
Earnings per share attributable to equity holders of the Company				
- basic (sen)	0.43	1.88	0.51	2.63
- diluted (sen)	0.43	1.88	0.51	2.63

(The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 July 2015)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 31 JANUARY 2016

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<u>Attributable to equity holders of the Company</u>			
	<u>Share</u> <u>Capital</u>	<u>Non-distributable</u> <u>Revaluation</u> <u>Reserve</u>	<u>Distributable</u> <u>Retained</u> <u>Profits</u>	<u>Total</u> <u>equity</u>
	RM'000	RM'000	RM'000	RM'000
At 1 August 2014	205,176	25,905	217,800	448,881
Total comprehensive income for the year	-	-	10,793	10,793
Dividend	-	-	(4,104)	(4,104)
At 31 January 2015	205,176	25,905	224,489	455,570
At 1 August 2015	205,176	25,722	228,206	459,104
Total comprehensive income for the year	-	-	2,106	2,106
Dividend	-	-	(4,104)	(4,104)
At 31 January 2016	205,176	25,722	226,208	457,106

(The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 July 2015)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 31 JANUARY 2016

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CUMULATIVE QUARTER	
	PERIOD	PERIOD
	ENDED	ENDED
	31.1.2016	31.1.2015
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,975	14,661
Adjustments for:		
Depreciation of property, plant and equipment	4,513	5,226
Gain on disposal of property, plant and equipment	(43)	(64)
Property, plant and equipment written off	1,379	7
Short-term accumulating compensated absences	-	335
Dividend received	(300)	(150)
Gain on disposal of subsidiary company	-	(308)
Reversal of allowance for impairment on receivables	(2)	(144)
Interest income	(178)	(16)
Interest expense	7,477	6,965
Operating profit before working capital changes	15,821	26,512
Inventories	(18,649)	22,485
Receivables	(7,094)	(1,416)
Payables	16,619	11,001
Amount due to directors	(917)	(452)
Net cash generated from operations	5,780	58,130
Income tax refund	672	-
Income tax paid	(2,686)	(2,314)
Net cash generated from operating activities	3,766	55,816
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	164	16
Dividend received	300	150
Proceeds from disposal of property, plant and equipment	96	204
Proceeds from disposal of subsidiary company	-	505
Purchase of property, plant and equipment	(4,081)	(4,430)
Net cash used in investing activities	(3,521)	(3,555)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(7,477)	(6,965)
Net loans raised / (repaid)	23,269	(61,917)
Placement of sinking fund	(20,000)	-
Increase in amount due to ultimate holding company	10	-
Repayment to finance lease creditors	(1,431)	(528)
Repayment to hire purchase creditors	(529)	(1,166)
Net cash used in financing activities	(6,158)	(70,576)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(5,913)	(18,315)
OPENING CASH AND CASH EQUIVALENTS	35,877	37,918
CLOSING CASH AND CASH EQUIVALENTS	29,964	19,603
Cash and cash equivalents comprise the following:		
Fixed deposit with licensed banks	-	180
Cash and bank balances	52,062	22,514
Bank overdrafts	(98)	(3,091)
	51,964	19,603
Less: Sinking fund	(22,000)	-
	29,964	19,603

(The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 July 2015)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 31 JANUARY 2016**A5. Changes in Estimates**

There were no material changes in the estimates used for the preparation of interim financial report.

A6. Issuance, Cancellation or Repayments of Debt and Equity Securities

There was no issuance and repayment of debt and equity securities, share buy back, share cancellation, shares held as treasury shares and resale of treasury shares for the current financial year to-date.

A7. Dividend paid

No dividend was paid in the quarter under review.

A8. Segmental Information

Segmental information is presented in respect of the Group's business segments.

Business segments:

Manufacturing: Manufacturer and dealer of jewellery, precious stones and gold ornaments

Trading: Suppliers and retailers of gold ornaments, jewellery, precious stones and gold bullion

Others: Investment holding

Results for financial period ended 31 January 2015

	Manufacturing Division RM'000	Trading Division RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue	297	410,105	5	-	410,407
Inter-segment Revenue	144,832	53,872	36,233	(234,937)	-
Total Revenue	145,129	463,977	36,238	(234,937)	410,407
Profit before taxation	6,426	17,253	(4,003)	(5,015)	14,661
Profit after taxation	4,884	15,725	(4,543)	(5,273)	10,793

Results for financial period ended 31 January 2016

	Manufacturing Division RM'000	Trading Division RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue	6,875	368,774	17		375,666
Inter-segment Revenue	113,824	46,392	46,242	(206,458)	-
Total Revenue	120,699	415,166	46,259	(206,458)	375,666
Profit before taxation	7,944	(1,377)	(4,201)	609	2,975
Profit after taxation	6,038	(1,993)	(4,917)	2,978	2,106

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 31 JANUARY 2016

A9. Valuations of Property, Plant and Equipment

The Group did not carry out any valuations on property, plant and equipment in the quarter under review.

Save as disclosed, the valuation of property, plant and equipment have been brought forward without amendment from previous Audited Financial Statements.

A10. Material Events Subsequent To The Financial Period

There was no subsequent material event as at the date of this quarterly report.

A11. Changes in the Composition of the Company

There was no change in the composition of the Group for the current quarter and financial year to date including business combination, acquisition or disposal of subsidiaries and long term investment, restructuring or discontinuing of operations.

A12. Contingent Liabilities

Poh Kong Jewellers Sdn. Bhd, a wholly owned subsidiary of the Company, has granted a corporate guarantee to Danajamin Nasional Berhad in respect of Islamic Commercial Papers/ Islamic Medium Term Notes programme up to RM150,000,000 in accordance with the Shariah principle of Commodity Murabahah.

As at 31 January 2016, a total of RM164,601,999 corporate guarantees has been given in support of banking facilities granted to subsidiary companies; a total of RM8,000,000 corporate guarantee has been given to third party in respect of leasing and hire purchase facilities; a total of RM4,040,074 corporate guarantees has been given to third parties in respect of operating lease arrangements.

Save as disclosed above, there was no change in contingent liabilities since the last annual reporting date.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 31 JANUARY 2016**B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS****B1. Review of Performance**

The Group's revenue for the second quarter under review was lower at RM203.369 million as compared to the revenue in the corresponding quarter last year of RM216.454 million; a decrease of RM13.085 million due mainly to a weak market sentiment, decreased in demand of gold jewellery products during the quarter under review.

The major revenue contributors are gold jewellery and gold investment products during the quarter under review.

The Group's profit before tax in the current quarter at RM2.488 million as compared to the profit before tax of RM10.090 million in the corresponding quarter last year; a decrease of RM7.602 million. It was due mainly to the decrease in sales volume during the quarter under review.

The Group's revenue is largely derived from retail segment while the manufacturing segment supplies the finished gold jewellery to the retail segment.

B2. Comparison with Preceding Quarter's Results (2nd Quarter FYE 2016 vs 1st Quarter FYE 2016)

Financial Indicators:	Q2FYE2016	Q1FYE2016	Variance	Variance
	RM('000)	RM('000)	RM('000)	(%)
Revenue	203,369	172,297	31,072	18%
Profit / (Loss) before taxation	2,488	487	2,001	411%
Profit / (Loss) after taxation	1,770	336	1,434	427%

The improvement in profit resulted from the increase in revenue as compared with the preceding quarter.

B3. Current Year Prospects

2016 will be a year of tough economic challenges as Malaysians continue to be cautious in their spending and that poses the biggest challenge in the retail industry. The Group, being cognisant of the current market situation continue to consolidate its business strategies to meet these challenges.

Barring unforeseen circumstances, the Board of Directors is confident of the Group's resilience to weather the challenges ahead for financial year ending 31 July 2016.

B4. Profit Forecast

The Group does not publish any profit forecast.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 31 JANUARY 2016

B5. Taxation

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Quarter Ended 31.1.2016	Quarter Ended 31.1.2015	Period Ended 31.1.2016	Period Ended 31.1.2015
	RM'000	RM'000	RM'000	RM'000
Income taxation	1,480	3,051	3,297	3,612
Deferred taxation	(762)	(667)	(2,428)	256
	<u>718</u>	<u>2,384</u>	<u>869</u>	<u>3,868</u>

The effective tax rate for the cumulative quarter was higher than the statutory tax rate due principally to certain expenses disallowed for tax purposes.

B6. Status of Corporate Proposals Announced

There was no corporate proposal announced for the current quarter and financial year to date.

B7. Borrowings and Debt Securities

The Group's borrowings as at 31 January 2016 are as follows:-

	RM'000
Short-term Borrowings	
- Secured	
Bank overdraft	98
Other bank borrowings	93,123
Islamic Medium Term Notes ("IMTN")	<u>40,000</u>
	133,221
- Unsecured	
Hire purchase and lease creditors	3,206
Advance from Ultimate Holding Company	<u>1,249</u>
	<u>137,676</u>
Long-term Borrowings	
- Secured	
Term loans	10,491
Islamic Medium Term Notes ("IMTN")	<u>100,000</u>
	110,491
- Unsecured	
Hire purchase and lease creditors	<u>929</u>
	<u>111,420</u>
Total	<u><u>249,096</u></u>

B8. Realised and Unrealised Profits or Losses Disclosure

This disclosure is prepared pursuant to the directive of Bursa Malaysia Securities Berhad and in accordance with the Guidance on Special Matter No.1- Determination of Realised and Unrealised Profits or Losses, as issued by the Malaysia Institute of Accountants.

	Period Ended 31.1.2016 (RM'000)	Period Ended 31.1.2015 (RM'000)
Total retained earnings of the Company and its subsidiaries:		
- Realised	362,336	363,081
- Unrealised	<u>(2,713)</u>	<u>(4,441)</u>
	359,623	358,640
- Less: Consolidated adjustments	<u>(133,415)</u>	<u>(134,151)</u>
Total group retained profits as per consolidated accounts	<u><u>226,208</u></u>	<u><u>224,489</u></u>

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 31 JANUARY 2016**B9. Profit Before Taxation**

Profit before taxation is arrived at after charging / (crediting):

	Individual Quarter		Cumulative Quarter	
	Quarter Ended 31.1.2016	Quarter Ended 31.1.2015	Period Ended 31.1.2016	Period Ended 31.1.2015
	RM'000	RM'000	RM'000	RM'000
Interest income	(68)	(8)	(178)	(16)
Dividend income	-	(150)	(300)	(150)
Gain on disposal of property, plant and equipment	-	(67)	(43)	(64)
Interest expense	3,798	3,643	7,477	6,965
Depreciation and amortization	2,162	2,653	4,513	5,226
Reversal of allowance for impairment on receivables	-	18	(2)	(144)
Property, plant and equipment written off	1,341	6	1,379	7
Gain on disposal of subsidiary company	-	-	-	(308)

B10. Material Litigation

There was no material litigation as at this quarterly report and the financial year to date.

B11. Dividend

No dividend was declared in the quarter under review.

B12. Earnings Per Share

	Individual Quarter		Cumulative Quarter	
	Quarter Ended 31.1.2016	Quarter Ended 31.1.2015	Period Ended 31.1.2016	Period Ended 31.1.2015
Profit after taxation for basic earnings per share (RM'000)	1,770	7,706	2,106	10,793
Weighted average number of ordinary shares in issue ('000)	410,352	410,352	410,352	410,352
-basic (sen)	0.43	1.88	0.51	2.63
-diluted (sen)	0.43	1.88	0.51	2.63

BY ORDER OF THE BOARD**DATO' CHOON YEE SEIONG**

Executive Chairman / Group Managing Director

23 March 2016

Petaling Jaya