

Notes to the interim financial statements for the period ended 30 Sept 2015

A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134

1. Accounting Policies and Method of Computation

The Malaysian interim financial report of the Group is unaudited and has been prepared in accordance with Malaysia Financial Reporting Standard (MFRS) 134: Interim Financial Reporting and Chapter 9 Appendix 9B of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2014.

2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 December 2014 except for the adoption of the following MFRSs, Amendments of MFRSs and IC Interpretation which are applicable for the Group Financial period beginning 1 January 2015.

Amendments to MFRS	1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)
Amendments to MFRS	8 Operating Segments (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS	13 Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
Amendments to MFRS	116 Property, Plant & Equipment (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS	124 Related Party Disclosures (Annual Improvements 2010-2012 Cycle)

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2014 was not qualified.

4. Seasonal or Cyclical Factors

The business of the Group is generally affected by the festive seasons.

5. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period ended 30 Sept 2015.

6. Changes in Estimates

There were no changes in estimates that have had a material effect in the current financial quarter results.

7. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities in current quarter.

8. Dividend

There was no dividend paid in respect of the current financial quarter.

9. Business segments

	Textiles 2015 30 Sept RM'000	Investment 2015 30 Sept RM'000	Elimination 2015 30 Sept RM'000	Total 2015 30 Sept RM'000
Revenue				
External revenue	124,979	1,810	-	126,789
Inter-segment revenue	10,872	5,292	(16,164)	-
Total revenue	<u>135,851</u>	<u>7,102</u>	<u>(16,164)</u>	<u>126,789</u>
Results				
Interest income	123	-	-	123
Finance costs	(1,847)	(1,787)	-	(3,634)
Depreciation and amortisation	(1,326)	(311)	(1,058)	(2,695)
Other non-cash expenses	(188)	-	-	(188)
Income tax expenses	(2,056)	(1,486)	(35)	(3,577)
Segmental gain/(loss)	<u>3,658</u>	<u>4,579</u>	<u>(948)</u>	<u>7,289</u>
Assets				
Property, plant & equipment	5,029	-	-	5,029
Capital work-in-progress	-	6,437	-	6,437
Segment assets	<u>241,209</u>	<u>543,753</u>	<u>(439,176)</u>	<u>345,786</u>
Liabilities				
Segment liabilities	<u>63,720</u>	<u>62,797</u>	<u>(108,568)</u>	<u>17,949</u>

10. Carrying Amount of Revalued Assets

The group does not have any carrying amount of revalued assets.

11. Subsequent Events

There were no material events subsequent to the balance sheet date to be disclosed in the financial statements for the current financial quarter.

12. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current financial quarter.

13. Changes in Contingent Liabilities and Contingent Assets

Save as disclosed below, the Company is not aware of any other contingent liabilities as at 30 Sept 2015, except for:

	30 Sept 2015 (RM'000)
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Sdn Bhd	31,376
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Pusat Membeli-belah Kamdar (Penang) Sdn Bhd	836
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Beauty Gallant Sdn Bhd	8,821
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Stores Sdn Bhd	8,516
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Holdings Sdn Bhd	14,257
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kesar Sdn Bhd	20,557
Total	<u>84,363</u>

14. Related Party Transactions

The Group's recurrent related party transactions in the current quarter and the cumulative period to date ended 30 Sept 2015 are as follows:

	Sale of goods (RM'000)	Rental expenses (RM'000)	Total (RM'000)
Current quarter:			
Kamdar Properties Sdn Bhd (1)	-	357	357
Aum Fabrics Pte Ltd (2)	59	-	59
Globe Textiles Sdn Bhd (3)	-	30	30
Pragna a/p K M Kamdar (4)	-	5	5
Total	<u>59</u>	<u>392</u>	<u>451</u>
Cumulative period:			
Kamdar Properties Sdn Bhd (1)	-	1,069	1,069
Aum Fabrics Pte Ltd (2)	155	-	155
Globe Textiles Sdn Bhd (3)	-	90	90
Pragna a/p K M Kamdar (4)	-	21	21
Total	<u>155</u>	<u>1,180</u>	<u>1,335</u>

14. Related Party Transactions (cont'd)

As at 30th Sept 2015 included within other payables in the statements of financial position is RM2.48 million that has been advanced to the company by Aura Ideal Sdn Bhd, a company in which Mr Kamal Kumar Kishorchandra has substantial interest.

Note (1) a company which the major shareholder, Mr Bipinchandra A/L Balvantrai has substantial interest.

Note (2) a company which the director, Mr Kamal Kumar Kishorchandra's sister has substantial interest.

Note (3) a company which the director, Mr Kamal Kumar Kishorchandra has substantial interest.

Note (4) Ms Pragna a/p K M Kamdar is sister of Mr Kamal Kumar Kishorchandra Kamdar.

15. Capital Commitments

Capital commitments not provided for in the financial statement as at 30 Sept 2015 are as follows:

	30 Sept 2015 RM'000	30 Sept 2014 RM'000
Authorised and contracted for:-		
- Property, plant and equipment	<u>10,702</u>	<u>16,803</u>

B. ADDITION INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BHD.
MAIN MARKET LISTING REQUIREMENTS

1. Review of Performance

	Quarter 9 months ended 30 Sept 2015 RM'000 (unaudited)	Quarter 9 months ended 30 Sept 2014 RM'000 (unaudited)
Revenue	126,789	139,499
Profit before tax	<u>7,356</u>	<u>7,593</u>

The Group's revenue for the current financial period ended 30 Sept 2015 decreased by 9.11% to RM126.79 million as compared to RM139.50 million which was recorded in the previous year's financial period ended 30 Sept 2014. Profit before taxation of RM7.36 million was 3.03% lower as compared to RM7.59 million in the previous year's financial period mainly due to general curtailment of demand in the retail industry and decline in retail market segments.

2. Material changes in the quarterly results compared with immediate preceding quarter

	Individual Quarter 3 months ended 30 Sept 2015 RM'000 (Unaudited)	Preceding Quarter 3 months ended 30 June 2015 RM'000 (Unaudited)
Revenue	38,782	44,449
(Loss)/Profit before tax	<u>(1,739)</u>	<u>6,765</u>

For the current financial quarter, the group's revenue decreased by 12.73% to RM38.79 million as compared to RM44.45 million in the preceding financial quarter ended 30 June 2015. On this the company suffered a loss before tax of RM1.74 million in this current quarter as compared to a profit before tax of RM6.76 million in the previous quarter.

It is to be noted that the profit for the previous quarter includes a credit of RM4.15 million related to insurance claim proceeds. Allowing for this, the previous quarter would still show a profit before tax. The loss before tax for the current quarter is best explained by the current economic climate affecting the industry causing Sales to dip.

3. Commentary on Prospects

The retail sector continues to operate in a very challenging environment and the Group's future prospects remain cautiously optimistic.

4. Profit Forecast

Not applicable.

5. Tax Expense

	3 months ended 30 Sept 2015 (RM'000)	3 months ended 30 Sept 2014 (RM'000)	9 months ended 30 Sept 2015 (RM'000)	9 months ended 30 Sept 2014 (RM'000)
Current taxation - Malaysia				
- Current financial period	865	666	3,577	3,246
- Deferred tax	-	-	-	-
Total	<u>865</u>	<u>666</u>	<u>3,577</u>	<u>3,246</u>

The effective tax rate for the Group for the current quarter was higher than the statutory tax rate mainly due to non availability of the Group tax relief in respect of losses suffered by certain companies and non-allowable tax expenses.

6. Sale/Disposal of Unquoted Investments and Properties

There was no sale/disposal of unquoted investments and/or properties during the quarter under review and financial period-to-date.

7. Marketable Securities

There were no disposals of quoted securities for the financial period-to-date.

8. Corporate Proposals

There were no corporate proposals announced and completed as at 30 Sept 2015.

9. Borrowings

As at 30 Sept 2015, the total borrowings of KGMB Group were as follows:

	As at 30 Sept 2015 (RM'000)	As at 31 Dec 2014 (RM'000)
Secured:		
Short term	57,366	44,483
Long term	44,647	47,645
Total	<u>102,013</u>	<u>97,128</u>

The above borrowings are denominated in Ringgit Malaysia.

10. Financial instruments

The Group does not have any financial instruments at the reporting date including foreign currency contracts nor has it entered into any contracts during the current quarter and financial period-to-date.

11. Changes in Material Litigation

The Group was not engaged in any material litigation nor had there been any legal proceedings against the Group which would adversely affect the activities and performance of the Group or give rise to any contingent liabilities which would affect the position and business of the Group except for the following:-

On 10th June 2015, the company has been sued by Messrs Michael Chow in regard to fees which they claim are outstanding. This has previously been announced.

12. Dividend

The directors do not recommend any interim dividend for the financial quarter under review.

13. Earning Per Share

Basic earnings per share are calculated by dividing the profit after tax by the weighted average number of ordinary shares in issue during the financial period.

	9 months ended 30 Sept 2015 (RM'000)	9 months ended 30 Sept 2014 (RM'000)
Profit after tax	3,779	4,347
Number of Ordinary shares in issue	197,990	197,990
Basic earnings per share(sen)	<u>1.91</u>	<u>2.20</u>

Diluted earnings per share are not applicable for the Company.

14. Disclosure of Realised and Unrealised Profits

	As at 30 Sept 2015 (RM'000)	As at 31 Dec 2014 (RM'000)
Total retained profits of the Company and its subsidiaries:		
- Realised	235,087	230,360
- Unrealised	<u>68,952</u>	<u>68,952</u>
	304,039	299,312
Consolidation adjustments	<u>(107,368)</u>	<u>(106,420)</u>
TOTAL	<u>196,671</u>	<u>192,892</u>

15. Note to the Statements profit or loss and other comprehensive Income

	9 months ended 30 Sept 2015 (RM'000) (Unaudited)	9 months ended 30 Sept 2014 (RM'000) (Unaudited)
Profit from operations from the period is arrived at after charging:		
Amortisation of prepaid land and building lease payment	69	57
Depreciation on property, plant and equipment	2,626	2,902
Impairment loss on investment in an former associate company	-	259
Interest expenses	3,633	1,867
Inventories written off	-	3,916
Inventories written down	-	2,632
Loss on disposal of property, plant and equipment	1	-
Property, plant and equipment written off	187	970
And after credited:		
Proceeds from insurance claims	4,171	30
Impairment loss on receivables no longer required	-	33
Interest income	123	182

16. Authorisation of issue

The interim financial statements were authorised for release by the Board in accordance with a resolution of the Directors on 27 Nov 2015.

By order of the Board

Lim Seck Wah
Company Secretary