

Notes to the interim financial statements for the period ended 31 December 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 31 Dec 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 31 Dec RM'000	Investment 2015 31 Dec RM'000	Elimination 2015 31 Dec RM'000	Total 2015 31 Dec RM'000
Revenue				
External revenue	167,235	2,237	-	169,472
Inter-segment revenue	14,276	7,436	(21,712)	-
Total revenue	<u>181,511</u>	<u>9,673</u>	<u>(21,712)</u>	<u>169,472</u>
Results				
Interest income	166	-	-	166
Finance costs	(2,367)	(2,376)	-	(4,743)
Depreciation and amortization	(2,257)	(419)	(1,651)	(4,327)
Other non-cash expenses	(2,665)	-	-	(2,665)
Income tax expenses	(1,839)	(1,756)	(77)	(3,672)
Segmental gain/(loss)	<u>1,822</u>	<u>1,073</u>	<u>(1,567)</u>	<u>1,328</u>
Assets				
Property, plant & equipment	7,616	-	-	7,616
Capital work-in-progress	-	5,167	-	5,167
Segment assets	<u>238,189</u>	<u>540,732</u>	<u>(441,050)</u>	<u>337,871</u>
Liabilities				
Segment liabilities	<u>70,723</u>	<u>65,296</u>	<u>(109,865)</u>	<u>26,154</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 31 Dec 2015, except for:

	31 Dec 2015 (RM'000)
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Sdn Bhd	22,808
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Pusat Membeli-belah Kamdar (Penang) Sdn Bhd	765
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Beauty Gallant Sdn Bhd	8,516
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Stores Sdn Bhd	8,270
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Holdings Sdn Bhd	13,817
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kesar Sdn Bhd	22,387
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Mint Saga (M) Sdn Bhd	74
Total	<u>76,637</u>

## 14. Related Party Transactions

The Group's recurrent related party transactions in the current quarter and the cumulative period to date ended 31 Dec 2015 are as follows:

	Sale of goods (RM'000)	Rental expenses (RM'000)	Total (RM'000)
Current quarter:			
Kamdar Properties Sdn Bhd (1)	-	-	-
Aum Fabrics Pte Ltd (2)	33	-	33
Globe Textiles Sdn Bhd (3)	-	30	30
Pragna a/p K M Kamdar (4)	-	6	6
Total	<u>33</u>	<u>36</u>	<u>69</u>
Cumulative period:			
Kamdar Properties Sdn Bhd (1)	-	1,069	1,069
Aum Fabrics Pte Ltd (2)	188	-	188
Globe Textiles Sdn Bhd (3)	-	120	120
Pragna a/p K M Kamdar (4)	-	27	27
Total	<u>188</u>	<u>1,216</u>	<u>1,404</u>

#### 14. Related Party Transactions (cont'd)

As at 31st Dec 2015 included within other payables in the statements of financial position is RM3.65 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 31 Dec 2015 are as follows:

	31 Dec 2015 RM'000	31 Dec 2015 RM'000
Authorised and contracted for:-		
- Property, plant and equipment	10,702	14,003

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

1. Review of Performance

	Quarter 12 months ended 31 Dec 2015 RM'000 (unaudited)	Quarter 12 months ended 31 Dec 2014 RM'000 (unaudited)
Revenue	169,472	183,688
Profit before tax	<u>423</u>	<u>12,893</u>

The Group's revenue for the current financial year ended 31 Dec 2015 decreased by 7.74% to RM169.47 million as compared to RM183.69 million which was recorded in the previous financial year ended 31 Dec 2014. Profit before taxation of RM0.42 million was 96.74% lower as compared to RM12.89 million in the previous financial year was mainly due to drop in revenue, higher operating costs, one off costs relating to closure of the Kemasik and Segamat outlets, relocate the Kuantan branch to the new premise and the fair value loss on an investment property at No. 429 – 435 Jalan Tuanku Abdul Rahman, the loss of RM4.6 million due to the current condition of the property which is currently under ongoing renovation by the tenant.

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	42,683	38,782
Loss before tax	<u>(6,753)</u>	<u>(1,739)</u>

For the current financial quarter, the group's revenue increased by 10.06% to RM42.68 million as compared to RM38.78 million in the preceding financial quarter ended 30 Sept 2015. The company suffered a higher loss before tax of RM6.48 million in this current quarter as compared to a loss before tax of RM1.74 million in the previous quarter.

This loss for this current quarter includes the fair value loss on an investment property at No. 429 – 435 Jalan Tuanku Abdul Rahman, the loss of RM4.6 million due to the current condition of the property which is currently under ongoing renovation by the tenant.

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 31 Dec 2015 (RM'000)	3 months ended 31 Dec 2014 (RM'000)	12 months ended 31 Dec 2015 (RM'000)	12 months ended 31 Dec 2014 (RM'000)
Current taxation - Malaysia				
- Current financial period	232	1,239	3,809	5,753
- Deferred tax	(137)	-	(137)	-
Total	<u>95</u>	<u>1,239</u>	<u>3,672</u>	<u>5,753</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 31 Dec 2015.

9. Borrowings

As at 31 Dec 2015, the total borrowings of KGMB Group were as follows:

	As at 31 Dec 2015 (RM'000)	As at 31 Dec 2014 (RM'000)
Secured:		
Short term	50,503	44,483
Long term	<u>43,603</u>	<u>47,645</u>
Total	<u>94,106</u>	<u>92,128</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

Further to the announcement made on 03 July 2015 pertaining to the dismissal by the High Court of the suit by the wholly-owned subsidiary, Kamdar Sdn Bhd against Bipinchandra A/L Balvantrai, Jayesh R Kamdar Rajnikant and Yap Kim Hong (“the Defendants”), the Company has appealed the decision and the appeal is currently ongoing in the Court of Appeal.

#### 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.

	12 months ended 31 Dec 2015 (RM'000)	12 months ended 31 Dec 2014 (RM'000)
(Loss)/Profit after tax	(3,249)	7,140
Number of Ordinary shares in issue	197,990	197,990
Basic earnings per share(sen)	(1.6)	3.6
Diluted earnings per share (sen)	(1.6)	3.6

#### 14. Disclosure of Realised and Unrealised Profits

	As at 31 Dec 2015 (RM'000)	As at 31 Dec 2014 (RM'000)
Total retained profits of the Company and its subsidiaries:		
- Realised	228,471	230,360
- Unrealised	69,159	68,952
	297,630	299,312
Consolidation adjustments	(107,987)	(106,420)
TOTAL	189,643	192,892

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

	12 months ended 31 Dec 2015 (RM'000) (Unaudited)	12 months ended 31 Dec 2014 (RM'000) (Unaudited)
Profit from operations from the period is arrived at after charging:		
Amortisation of prepaid land and building lease payment	123	92
Bad debts written off	-	145
Depreciation on property, plant and equipment	4,204	2,975
Impairment loss on available for sale investment	-	287
Interest expenses	4,743	4370
Inventories written off	-	174
Inventories written down	2,904	2,366
Loss on disposal of property, plant and equipment	1	27
Property, plant and equipment written off	260	995
And after credited:		
Proceeds from insurance claims	4,988	2366
Impairment loss on receivables no longer required	-	169
Interest income	166	233

16. Authorisation of issue

The interim financial statements were authorised for release by the Board in accordance with a resolution of the Directors on 26 Feb 2016.

By order of the Board

Lim Seck Wah  
Company Secretary