

Notes to the interim financial statements for the period ended 30 June 2016

A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134

1. Accounting Policies and Method of Computation

The interim financial report of the Group is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standards (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 2015. 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 2015.

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 2015 except for the adoption of the following MFRSs and Amendments of MFRSs which are applicable for the Group financial period beginning 1 January 2016.

MFRS 14 - Regulatory Deferral Accounts
Amendments to MFRS 10, MFRS 12 and MFRS 128 – Investment Entities: Applying the Consolidation Exception
Amendments to MFRS11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101 – Disclosure Initiative
Amendments to MFRS 116 and MFRS 138 – Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 127 – Equity Method in Separate Financial Statements
Annual Improvements to MFRSs 2012-2014 Cycle
(a) Amendments to MFRS 5
(b) Amendments to MFRS 7
(c) Amendments to MFRS 119
(d) Amendment to MFRS 134

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2015 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 June 2016.

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

	Trading activities 2016 30 June RM'000	Investment 2016 30 June RM'000	Elimination 2016 30 June RM'000	Total 2016 30 June RM'000
Revenue				
External revenue	86,520	892	-	87,412
Inter-segment revenue	11,934	5,658	(17,592)	-
Total revenue	<u>98,454</u>	<u>6,550</u>	<u>(17,592)</u>	<u>87,412</u>
Results				
Interest income	84	-	-	84
Finance costs	(1,021)	(1,131)	-	(2,152)
Depreciation and amortization	(928)	(199)	(488)	(1,615)
Other non-cash expenses	(12)	(4,286)	-	(4,298)
Income tax expenses	(571)	(1,459)	4	(2,026)
Segmental gain/(loss)	<u>2,681</u>	<u>3,790</u>	<u>(501)</u>	<u>5,970</u>
Segment profit				5,970
Interest income				84
Finance costs				<u>(2,152)</u>
Profit after tax				<u>3,902</u>
Assets				
Additional to non-current assets other than deferred tax assets	1,148	148	-	1,296
Segment assets	<u>244,867</u>	<u>557,944</u>	<u>(458,361)</u>	<u>344,450</u>
Liabilities				
Segment liabilities	<u>68,897</u>	<u>67,211</u>	<u>(112,235)</u>	<u>23,873</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 reporting 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 June 2016, except for:

	30 June 2016 (RM'000)
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Sdn Bhd	29,509
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Pusat Membeli-belah Kamdar (Penang) Sdn Bhd	444
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Beauty Gallant Sdn Bhd	8,131
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Stores Sdn Bhd	7,791
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Holdings Sdn Bhd	12,915
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kesar Sdn Bhd	22,862
Total	<hr/> <u>81,652</u>

14. Related Party Transactions

The Group's recurrent related party transactions in the current quarter and the cumulative period to date ended 30 June 2016 are as follows:

	Sale of goods (RM'000)	Purchase of goods (RM'000)	Rental expenses (RM'000)	Total (RM'000)
Current quarter:				
Aum Fabrics Pte Ltd (1)	59		-	59
Globe Textiles Sdn Bhd (2)	-		30	30
Pragna a/p K M Kamdar (3)	-		5	5
SNS Textiles Sdn Bhd (4)	-	131	-	131
Total	59	131	35	225
Cumulative period:				
Aum Fabrics Pte Ltd (1)	96	-	-	96
Globe Textiles Sdn Bhd (2)	-		60	60
Pragna a/p K M Kamdar (3)	-	-	6	6
SNS Textiles Sdn Bhd (4)	-	131	-	131
Total	96	131	66	293

14. Related Party Transactions (cont'd)

Note (1) a company which the director, Ms Pragna A/P K M Kamdar has substantial interest.

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

Note (3) Ms Pragna A/P K M Kamdar, a non-independent non-executive director.

Note (4) a company which the subsidiary director, Mr Hamendra a/l B.M. Kamdar's son has substantial interest.

15. Capital Commitments

Capital commitments not provided for in the financial statement as at 30 June 2016 are as follows:

	30 June 2016 RM'000	30 June 2015 RM'000
Authorised and contracted for:-		
- Property, plant and equipment	3,447	5,650

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

1. Review of Performance

	6 months ended 30 June 2016 RM'000 (unaudited)	6 months ended 30 June 2015 RM'000 (unaudited)
Revenue	87,412	88,007
Profit before tax	<u>5,928</u>	<u>9,095</u>

The Group's revenue for the year to date ended 30 June 2016 has essentially remained steady showing a minor decrease from RM88 million (same period previous year) to RM87.4 million. The same six months in the previous year shows a Profit Before Tax ("PBT") of RM9.1 million, however, after excluding the RM4.15 million attributable to an exceptional and non-recurrent insurance claim receipt from ordinary operational activities from the previous year's results, the PBT of the previous year becomes RM4.95 million. On this basis the current six month year to date PBT of RM5.93 million shows a significant 20% improvement.

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

	Individual Quarter 3 months ended 30 June 2016 RM'000 (Unaudited)	Preceding Quarter 3 months ended 31 Mar 2016 RM'000 (Unaudited)
Revenue	49,659	37,753
Profit/(Loss) before tax	<u>3,018</u>	<u>2,910</u>

For the current quarter, the Group's revenue increased by 31.54% to RM49.66 million as compared to RM37.75 million in the previous quarter ended 31 Mar 2016. This comparative significant increase in turnover as referred above is partly attributable to the seasonal Hari Raya Sales. Profit Before Tax for the current financial quarter of RM3.02 million was slightly higher as compared to RM2.91 million in the previous quarter.

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 June 2016 (RM'000)	3 months ended 30 June 2015 (RM'000)	Year to date ended 30 June 2016 (RM'000)	Year to date ended 30 June 2015 (RM'000)
Current taxation - Malaysia				
- Current financial period	942	1,845	2,026	2,712
- Deferred tax	-	-	-	-
Total	942	1,845	2,026	2,712

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 June 2016.

9. Borrowings

As at 30 June 2016, the total borrowings of KGMB Group were as follows:

	As at 30 June 2016 (RM'000)	As at 30 June 2015 (RM'000)
Secured:		
Short term	57,331	50,484
Long term	41,507	43,568
Total	98,838	94,052

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.

	6 months ended 30 June 2016 (RM'000)	6 months ended 30 June 2015 (RM'000)
Profit after tax	3,902	6,383
Number of Ordinary shares in issue	197,990	197,990
Basic earnings per share(sen)	1.97	3.22
Diluted earnings per share (sen)	N/A	N/A

14. Disclosure of Realised and Unrealised Profits

	As at 30 June 2016 (RM'000)	As at 31 Dec 2015 (RM'000)
Total retained profits of the Company and its subsidiaries:		
- Realised	235,540	231,137
- Unrealised	81,622	81,622
	317,162	312,759
Consolidation adjustments	(123,602)	(123,101)
TOTAL	193,560	189,658

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

	6 months ended 30 June 2016 (RM'000) (Unaudited)	6 months ended 30 June 2015 (RM'000) (Unaudited)
Profit from operations from the period is arrived at after charging:		
Amortisation of prepaid land and building lease payment	46	46
Bad debts written off		
Depreciation on property, plant and equipment	1,569	1,530
Interest expenses	2,152	2,360
Loss on disposal of property, plant and equipment	-	1
Property, plant and equipment written off	13	101
And after credited:		
Proceeds from insurance claims	256	4,163
Interest income	84	94

16. Authorisation of issue

The interim financial statements were authorised for release by the Board in accordance with a resolution of the Directors on 22 August 2016.

By order of the Board

Lim Seck Wah
Company Secretary