

Notes to the interim financial statements for the period ended 30 June 2017

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 2016. 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 2016.

2. Significant Accounting Policies

The significant accounting policies adopted in preparing these interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2016, except for adoption of the following MFRSs and amendments to MFRSs during the current financial period:

Effective for financial periods beginning on or after 1 January 2017

Amendments to MFRS 107	Disclosures Initiatives
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to MFRSs 2014-2016 Cycle (Amendments to MFRS 12)	

The adoption of the above does not have a material impact on the financial statements of the Group in the period of initial application.

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2016 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 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 2017 30 June RM'000	Investment 2017 30 June RM'000	Elimination 2017 30 June RM'000	Total 2017 30 June RM'000
Revenue				
External revenue	81,673	201	-	81,874
Inter-segment revenue	10,211	4,983	(15,194)	-
Total revenue	<u>91,884</u>	<u>5,184</u>	<u>(15,194)</u>	<u>81,874</u>
Results				
Interest income	82	-	-	82
Finance costs	(1,179)	(1,388)	-	(2,567)
Depreciation & amortization	(909)	(171)	(682)	(1,762)
Other non-cash expenses	(1,525)	-	-	(1,525)
Income tax expenses	(839)	(1,099)	(45)	(1,983)
Segmental (loss)/gain	<u>3,565</u>	<u>3,583</u>	<u>(541)</u>	<u>6,607</u>
Assets				
Additional to non-current assets other than deferred tax assets	2,150	1,867	-	4,017
Segment assets	<u>254,849</u>	<u>568,359</u>	<u>(472,363)</u>	<u>350,845</u>
Liabilities				
Segment liabilities	<u>81,838</u>	<u>57,286</u>	<u>(123,173)</u>	<u>15,951</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 2017, except for:

	30 June 2017 (RM'000)
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Sdn Bhd	31,566
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Pusat Membeli-belah Kamdar Sdn Bhd	337
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Pusat Membeli-belah Kamdar (Penang) Sdn Bhd	650
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Beauty Gallant Sdn Bhd	7,330
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Stores Sdn Bhd	19,753
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Holdings Sdn Bhd	15,941
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kesar Sdn Bhd	20,138
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Mint Saga (M) Sdn Bhd	64
	<hr/>
Total	<u><u>95,779</u></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 2017 are as follows:

	Sale of goods (RM'000)	Purchase of goods (RM'000)	Total (RM'000)
Current quarter:			
Aum Fabrics Pte Ltd (1)	109	-	109
SNS Textiles Sdn Bhd (2)	-	69	69
	<hr/>	<hr/>	<hr/>
Total	109	69	178
Cumulative period:			
Aum Fabrics Pte Ltd (1)	189	-	189
SNS Textiles Sdn Bhd (2)	-	96	96
	<hr/>	<hr/>	<hr/>
Total	<u>189</u>	<u>96</u>	<u>285</u>

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

Note (2) a company where the subsidiary's 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 2017 are as follows:

	30 June 2017 RM'000	30 June 2016 RM'000
Authorised and contracted for:-		
- Property, plant and equipment	<u>1,058</u>	<u>3,447</u>

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

1. Review of Performance

	6 months ended 30 June 2017 RM'000 (unaudited)	6 months ended 30 June 2016 RM'000 (unaudited)
Revenue	81,874	87,412
Profit before tax	<u>6,104</u>	<u>5,928</u>

Although the Group's revenue for the year to date ended 30 June 2017 decreased by 6.33% to RM81.88 million as compared to RM87.41 million which was recorded in the previous year's financial period ended 30 June 2016, profit before taxation of RM6.10 million was 2.87% higher as compared to RM5.93 million in the previous year's financial period mainly due to lower operating expenses.

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

	Individual Quarter 3 months ended 30 June 2017 RM'000 (Unaudited)	Preceding Quarter 3 months ended 31 Mar 2017 RM'000 (Unaudited)
Revenue	45,794	36,080
Profit before tax	<u>5,514</u>	<u>590</u>

For the current quarter, the Group's revenue increased by 26.91% to RM45.79 million as compared to RM36.08 million in the previous quarter ended 31 Mar 2017. This increase in turnover is partly attributable to the seasonal Hari Raya Sales. The profit before tax of RM5.51 million was higher than the previous quarter of RM0.59 million mainly due higher revenue and lower operating expenses.

3. Commentary on Prospects

The Group future prospects are cautiously optimistic as the retail sector continues to operate in a very challenging environment.

4. Profit Forecast

Not applicable.

5. Tax Expense

	3 months ended 30 June 2017 (RM'000)	3 months ended 30 June 2016 (RM'000)	Year to date ended 30 June 2017 (RM'000)	Year to date ended 30 June 2016 (RM'000)
Current taxation – Malaysia				
- Current financial period	1,405	942	1,983	2,026
Total deferred tax	-	-	-	-
Total	1,405	942	1,983	2,026

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 2017

9. Borrowings

As at 30 June 2017, the total borrowings of KGMB Group were as follows:

	As at 30 June 2017 (RM'000)	As at 31 Dec 2016 (RM'000)
Secured:		
Short term	56,995	64,039
Long term	54,464	49,276
Total	111,459	113,315

The foreign currency profile of short term borrowings are as below:

	As at 30 June 2017 (RM'000)	As at 31 Dec 2016 (RM'000)
United States Dollar	4,098	17,949
Ringgit Malaysia	107,361	95,366
Total	111,459	113,315

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

There were no changes in the material litigation during the current financial quarter.

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 2017 (RM'000)	6 months ended 30 June 2016 (RM'000)
Profit after tax	4,121	3,902
Number of Ordinary shares in issue	197,990	197,990
Basic earnings per share(sen)	2.08	1.97
Diluted earnings per share (sen)	N/A	N/A

14. Disclosure of Realised and Unrealised Profits

	As at 30 June 2017 (RM'000)	As at 31 Dec 2016 (RM'000)
Total retained profits of the Company and its subsidiaries:		
- Realised	237,947	233,332
- Unrealised	83,408	83,361
	321,355	316,693
Consolidation adjustments	(125,926)	(125,385)
TOTAL	195,429	191,308

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

	6 months ended 30 June 2017 (RM'000) (Unaudited)	6 months ended 30 June 2016 (RM'000) (Unaudited)
Profit from operations from the period is arrived at after charging:		
Amortisation of prepaid land and building lease payment	46	46
Depreciation on property, plant and equipment	1,715	1,569
Interest expenses	2,568	2,152
Inventories written down	991	-
Net gain on disposal of PPE	(2)	-
Property, plant and equipment written off	538	13
And after credited:		
Proceeds from insurance claims	4	256
Interest income	82	84

16. Authorisation of issue

The interim financial statements were authorised for release by the Board in accordance with a resolution of the Directors on 23 August 2017.

By order of the Board

Lim Seck Wah
Company Secretary