

Notes to the interim financial statements for the period ended 30 Sept 2013

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 Financial Reporting Standard (MFRS) 134: Interim Financial Reporting and Chapter 9 Appendix 9B of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The interim financial report is the Group's first MFRS interim financial report for part of the period covered by the Group's first MFRS annual financial statements for the year ending 31 December 2012. MFRS 1 First-Time Adoption of Malaysia Financial Reporting Standard ("MFRS 1") has been applied.

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012. 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 2012.

In preparing its opening MFRS Statement of Financial Position as at 1 January 2012 (which is also the date of transition), there are no adjustment required on the amounts previously reported in financial statements prepared in accordance with FRS. The transition from FRS to MFRS has no significant impact on the Group's financial statements.

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 2012.

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2012 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 December 2012.

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 issuances, cancellations, repurchases, resale and repayment of debt and equity securities in current quarter.

8. Dividend

A first and final single tier dividend of 3 sen per ordinary share of RM1.00 each, amounting to RM5,939,700 for the financial year ended 31 December 2012 was paid on 19 August 2013.

9. Segmental Information

No segment report is prepared as the principal activities of the Group are predominantly carried out in Malaysia and are engaged in a single business segment of retailing textile and textile based products within the retailing industry.

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 end of the current 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 2013:

	30 Sept 2013 (RM'000)
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Sdn Bhd	31,721
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Beauty Gallent Sdn Bhd	10,052
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Stores Sdn Bhd	3,986
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Holdings Sdn Bhd	17,632
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kesar Sdn Bhd	14,502
Total:	<hr/> 77,893 <hr/>

14. Related Party Transactions

The Group's recurrent related party transactions in the current quarter and the cumulative period to date ended 30 Sept 2013 are as follows:

	Sale of goods (RM'000)	Purchase of goods (RM'000)	Rental expenses (RM'000)	Total (RM'000)
Current quarter:				
Kamdar Properties Sdn Bhd (1)	-	-	356	356
Parklane Fabrics Sdn Bhd (2)	96	-	-	96
Deepak Textiles (3)	-	-	-	-
Total	96	-	356	452
Cumulative period:				
Kamdar Properties Sdn Bhd (1)	-	-	1,068	1068
Parklane Fabrics Sdn Bhd (2)	293	-	-	293
Deepak Textiles (3)	-	4	-	4
Total	293	4	1,068	1,365

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

Note (2) a company which Mr Kamal Kumar Kishorchandra has substantial interest.

Note (3) a company which Mr Rajesh Kumar A/L Gejinder Nath's father has substantial interest.

15. Capital Commitments

Capital commitments not provided for in the financial statements as at 30 Sept 2013 are as follows:

	30 Sept 2013 RM'000	31 Dec 2012 RM'000
Property, plant and equipment Authorised but not contracted for	5,283	-

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

1. Review of Performance

	Quarter 9 months ended 30 Sept 2013 RM'000 (unaudited)	Quarter 9 months ended 30 Sept 2012 RM'000 (unaudited)
Revenue	153,161	159,851
Profit before taxation	17,855	17,973

The performance of the business is further elaborated in Section B below.

The Group's revenue for the current financial period ended 30 Sept 2013 is lower than the previous year's financial period ended 30 Sept 2012, mainly due to a decline in wholesale business. The profit before taxation has decreased by RM0.118 million.

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

	Individual Quarter 3 months ended 30 Sept 2013 RM'000 (Unaudited)	Preceding Quarter 3 months ended 30 June 2013 RM'000 (Unaudited)
Revenue	55,816	51,627
Profit before taxation	<u>5,575</u>	<u>7,571</u>

For the current financial quarter, the Group's revenue increased by 8.1% to RM55.8 million as compared to RM51.6 million in the preceding financial quarter ended 30 June 2013. However, the profit before taxation (PBT) for the current financial quarter was only RM5.6 million as compared to a PBT of RM7.6 million in the preceding financial ended. The decrease in PBT was mainly due to lower gross profit margin and increase in administrative and advertising expenses.

3. Commentary on Prospects

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

4. Profit Forecast

Not applicable.

5. Taxation

	3 months ended 30 Sept 2013 (RM'000)	3 months ended 30 Sept 2012 (RM'000)	9 months ended 30 Sept 2013 (RM'000)	9 months ended 30 Sept 2012 (RM'000)
Current taxation - Malaysia				
- Current financial period	1,666	2,724	5,208	5,504
Total	<u>1,666</u>	<u>2,724</u>	<u>5,208</u>	<u>5,504</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 of Unquoted Investments and Properties

There was no sale 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 2013.

9. Borrowings

As at 30 Sept 2013, the total borrowings of KGMB Group were as follows:

	As at 30 Sept 2013 (RM'000)	As at 31 Dec 2012 (RM'000)
Secured:		
Short term	53,757	58,781
Long term	37,763	40,345
TOTAL	<u>91,520</u>	<u>99,126</u>

The above borrowings are denominated in Ringgit Malaysia.

10. Financial instruments

The Group does not have any reporting date financial instruments including foreign currency contracts nor has it entered into any 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: -

Kamdar Holdings Sdn Bhd (“KHSB”), a wholly owned subsidiary of the Company, was served with a notice of demand on 3 May 2012 by Kompleks Bukit Jambul Sdn Bhd (“KBJSB”) for the amount of RM876,819.03 for outstanding payment of maintenance fee, insurance premium, quit rent together with interest.

KHSB has been paying the amount claimed above to a solicitor as stakeholder, due to an ongoing dispute between KBJSB & Perbadanan Pengurusan Bersama Kompleks Bukit Jambul (PPBKBJ) with regard to the management of the complex. The suit against KHSB will therefore be defended by PPBKBJ.

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 2013 (RM'000)	9 months ended 30 Sept 2012 (RM'000)
Profit after tax	12,647	12,469
Number of Ordinary shares in issue	197,990	197,990
Basic earnings per share(sen)	6.39	6.30

Diluted earnings per share are not applicable for the Company.

14. Disclosure of Realised and Unrealised Profits

	As at 30 Sept 2013 (RM'000)	As at 31 Dec 2012 (RM'000)
Total retained profits of the Company and its subsidiaries:		
- Realised	211,244	203,771
- Unrealised	77,265	77,168
	<u>288,509</u>	<u>280,939</u>
Total share of retained profits from associated companies:		
- Realised	(255)	(234)
	<u>288,254</u>	<u>280,705</u>
Consolidation adjustments	(98,463)	(97,621)
TOTAL	<u>189,791</u>	<u>183,084</u>

15. Note to the Statement of comprehensive Income

	9 months ended 30 Sept 2013 (RM'000) (Unaudited)	9 months ended 30 Sept 2012 (RM'000) (Unaudited)
Profit from operations from the period is arrived at after charging:		
Depreciation and amortization	2,016	3,168
Property, plant and equipment written off	11	40
Bad debts written off	272	4
And after credited:		
Proceeds from insurance claims	28	40
Gains on disposal of assets held for sale	8	1,200

16. Authorization of issue

The interim financial statements were authorized for release by the Board in accordance with a resolution of the Directors on 19 Nov 2013.

By order of the Board

Lim Seck Wah
Company Secretary