

Notes to the interim financial statements for the period ended 31 December 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 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 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.

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 except for the adoption of the following new revised MFRSs, Amendments of MFRSs and IC Interpretation which are applicable for the Group Financial period beginning 1 January 2013.

MFRS 10 Consolidated Financial Statements  
MFRS 12 Disclosure of Interest in other Entities  
MFRS 13 Fair Value Measurement  
MFRS 101 Presentation of items of other comprehensive income

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 2013.

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 31 Dec 2013:

	31 Dec 2013 (RM'000)
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Sdn Bhd	19,484
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Beauty Gallent Sdn Bhd	9,962
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Stores Sdn Bhd	3,822
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Holdings Sdn Bhd	17,249
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kesar Sdn Bhd	13,980
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Mint Saga (M) Sdn Bhd	62
Total:	<u><u>64,559</u></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 2013 are as follows:

	Renovation (RM'000)	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)	-	42	-	-	42
Deepak Textiles (3)	-	-	-	-	-
Floor Place (4)	114	-	-	-	114
<b>Total</b>	<b>114</b>	<b>42</b>	<b>-</b>	<b>356</b>	<b>512</b>
Cumulative period:					
Kamdar Properties Sdn Bhd (1)	-	-	-	1,424	1,424
Parklane Fabrics Sdn Bhd (2)	-	335	-	-	335
Deepak Textiles (3)	-	-	4	-	4
Floor Place (4)	114	-	-	-	114
<b>Total</b>	<b>114</b>	<b>335</b>	<b>4</b>	<b>1,424</b>	<b>1,877</b>

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 has substantial interest.

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

Note (4) a company which the director, Mr Kamal Kumar Kishorchandra 's sister has substantial interest.

#### 15. Capital Commitments

Capital commitments not provided for in the financial statements as at 31 Dec 2013 are as follows:

	31 Dec 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 12 months ended 31 Dec 2013 RM'000 (unaudited)	Quarter 12 months ended 31 Dec 2012 RM'000 (Audited)
Revenue	204.619	216.470
Profit before tax	24,408	22,546

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

The Group's revenue for the current financial period ended 31 Dec 2013 is lower than the previous year's financial period ended 31 Dec 2012, mainly due to a decline in wholesale and retail business. Despite the decreased in revenue, the profit before taxation has increased by RM1.862 million, mainly due to the better gross profit margin and reduction in expenses.

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

	Individual Quarter 3 months ended 31 Dec 2013 RM'000 (Unaudited)	Preceding Quarter 3 months ended 30 Sept 2013 RM'000 (Unaudited)
Revenue	51,458	55,816
Profit before taxation	<u>6,556</u>	<u>5,575</u>

For the current financial quarter, the Group's revenue decreased by 7.8% to RM51.5 million as compared to RM55.8 million in the preceding financial quarter ended 30 Sept 2013. Profit before tax (PBT) for the current financial quarter was RM6.5 million as compared to a PBT of RM5.6 million in the preceding financial quarter ended 30 Sept 2013, an increase of 17.6%. The increase in PBT was mainly due to forfeiture of deposit pertaining to the disposal of the property and better gross profit margin. The increase in administrative expenses is higher in this current quarter mainly due to the impairment of the receivables.

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 31 Dec 2013 (RM'000)	3 months ended 31 Dec 2012 (RM'000)	12 months ended 31 Dec 2013 (RM'000)	12 months ended 31 Dec 2012 (RM'000)
Current taxation - Malaysia				
- Current financial period	1,824 (20)	2,086 -	7,032 (20)	6,877 -
Total	<u>1,804</u>	<u>2,086</u>	<u>7,012</u>	<u>6,877</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 of unquoted investments and/or properties during the quarter under review and financial period-to-date.

On 12 Sept 2013, Kamdar Stores Sdn Bhd, a wholly-owned subsidiary of the Company, had entered into a Sale and Purchase Agreement with Hashem Kameli for the acquisition of 4 ½ storey shop/office building bearing the postal address at No. 289, Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur for a consideration of RM5,870,000.00.

On 18 April 2013, Kamdar Holdings Sdn Bhd, a wholly-owned subsidiary of the Company, had entered into a Sale and Purchase Agreement with Pingat Prisma Sdn Bhd to dispose all that four (4) pieces freehold land together with 6 ½ storey commercial building for a total consideration of RM26,000,000.00. However, On 20 Feb 2014, the company had announced that the purchaser, Pingat Prisma Sdn Bhd had failed to complete the sale and purchase transaction within the specified time frame hence, the Company had terminated the Sales and Purchase Agreement and forfeited the deposit paid by the Purchaser.

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 2013.

9. Borrowings

As at 31 Dec 2013, the total borrowings of KGMB Group were as follows:

	As at 31 Dec 2013 (RM'000)	As at 31 Dec 2012 (RM'000)
Secured:		
Short term	41,193	58,781
Long term	35,919	40,345
TOTAL	<u>77,112</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.

	12 months ended 31 Dec 2013 (RM'000)	12 months ended 31 Dec 2012 (RM'000)
Profit after tax	17,396	15,669
Number of Ordinary shares in issue	197,990	197,990
Basic earnings per share(sen)	8.78	7.90

Diluted earnings per share are not applicable for the Company.

14. Disclosure of Realised and Unrealised Profits

	As at 31 Dec 2013 (RM'000)	As at 31 Dec 2012 (RM'000)
Total retained profits of the Company and its subsidiaries:		
- Realised	216,798	203,771
- Unrealised	77,441	77,168
	294,239	280,939
Total share of retained profits from associated companies:		
- Realised	(235)	(234)
	294,004	280,705
Consolidation adjustments	(99,464)	(97,621)
	194,540	183,084
<b>TOTAL</b>	<b>194,540</b>	<b>183,084</b>

15. Note to the Statement of comprehensive Income

	12 months ended 31 Dec 2013 (RM'000) (Unaudited)	12 months ended 31 Dec 2012 (RM'000) (Audited)
Profit from operations from the period is arrived at after charging:		
Amortisation of prepaid land and building lease payment	77	77
Bad debts written off	9	93
Impairment loss on receivables	1,097	108
Impairment loss on associate	75	-
Depreciation on property, plant and equipment	2,533	4,152
Property, plant and equipment written off	328	366
And after credited:		
Fair value adjustment on investment properties	-	380
Impairment loss on receivable no longer required	-	7
Proceeds from insurance claims	38	77
Gains on disposal of assets held for sale	20	1,284
Gains on disposal of properties, plant & equipment	7	-

16. Authorization of issue

The interim financial statements were authorized for release by the Board in accordance with a resolution of the Directors on 25 Feb 2014.

By order of the Board

Lim Seck Wah  
Company Secretary