

Notes to the interim financial statements for the period ended 31 March 2014

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 2013. 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 2013.

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 2013 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 2014.

Amendments to MFRS 10	Consolidated Financial Statements
Amendments to MFRS 12	Disclosure of Interest in Other Entities: Investment Entities
Amendments to MFRS 127	Separate Financial Statements: Investment Entities
Amendments to MFRS 132	Financial Instruments: Presentation – Offsetting Financial assets and Financial Liabilities
Amendments to MFRS 136	Recoverable Amount Disclosures for Non- Financial Assets

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2013 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 March 2014.

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

On 29 April 2014, the company has proposed a first and final single tier dividend of 4 sen per ordinary share of RM1.00 each, amounting to RM7,919,600 for the financial year ended 31 December 2013, subject to shareholders' approval at the forthcoming annual General Meeting.

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 March 2014:

	31 March 2014 (RM'000)
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Sdn Bhd	24,452
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Beauty Gallent Sdn Bhd	9,808
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Stores Sdn Bhd	3,655
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Holdings Sdn Bhd	16,857
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kesar Sdn Bhd	12,521
Total:	<hr/> <hr/> <u>67,293</u>

14. Related Party Transactions

The Group's recurrent related party transactions in the current quarter and the cumulative period to date ended 31 March 2014 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)	-	14	-	-	14
Parklane Fabrics Pte Ltd (3)	-	7	-	-	7
Total	-	21	-	356	377
Cumulative period:					
Kamdar Properties Sdn Bhd (1)	-	-	-	356	356
Parklane Fabrics Sdn Bhd (2)	-	14	-	-	14
Parklane Fabrics Pte Ltd (3)	-	7	-	-	7
Total	-	21	-	356	377

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 Kamal Kumar Kishorchandra 's sister has substantial interest.

15. Capital Commitments

Not applicable.

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

1. Review of Performance

	Quarter 3 months ended 31 Mar 2014 RM'000 (unaudited)	Quarter 3 months ended 31 Mar 2013 RM'000 (Audited)
Revenue	40,358	45,718
Profit before tax	2,676	4,709

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

The Group's revenue for the current financial period ended 31 Mar 2014 decreased by 11.72% to RM40.36 million compared to RM45.72 million recorded in the previous year's financial period ended 31 Mar 2013. Profit before taxation of RM2.68 million was 43.10% lower as compared to RM4.71 million in the previous year's financial period mainly due to general curtailment of demand in the retail industry.

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

	Individual Quarter 3 months ended 31 Mar 2014 RM'000 (Unaudited)	Preceding Quarter 3 months ended 31 Dec 2013 RM'000 (Unaudited)
Revenue	40,358	51,458
Profit before taxation	2,676	6,556

For the current financial quarter, the Group's revenue decreased by 21.6% to RM40.358 million as compared to RM51.458 million in the preceding financial quarter ended 31 Dec 2013. This decrease is due to the seasonal nature of the industry and due to general curtailment of demand in the retail industry. Profit before tax (PBT) for the current financial quarter was RM2.676 million as compared to a PBT of RM6.556 million in the preceding financial quarter ended 31 Dec 2013, a decrease of 59.18%. The decrease in PBT was mainly due to the foresaid reasons as above.

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 Mar 2014 (RM'000)	3 months ended 31 Mar 2013 (RM'000)	3 months ended 31 Mar 2014 (RM'000)	3 months ended 31 Mar 2013 (RM'000)
Current taxation - Malaysia				
- Current financial period	1,088	1,586	1,088	1,586
- Deferred tax	(71)	-	(71)	-
Total	<u>1,017</u>	<u>1,586</u>	<u>1,017</u>	<u>1,586</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 March 2014.

9. Borrowings

As at 31 Mar 2014, the total borrowings of KGMB Group were as follows:

	As at 31 Mar 2014 (RM'000)	As at 31 Dec 2013 (RM'000)
Secured:		
Short term	44,864	41,217
Long term	38,604	35,895
TOTAL	<u>83,468</u>	<u>77,112</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

The Group did 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. As of to date this matter has been settled and is only awaiting documentation.

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.

	3 months ended 31 Mar 2014 (RM'000)	3 months ended 31 Mar 2013 (RM'000)
Profit after tax	1,659	3,123
Number of Ordinary shares in issue	197,990	197,990
Basic earnings per share(sen)	0.84	1.58

Diluted earnings per share are not applicable for the Company.

14. Disclosure of Realised and Unrealised Profits

	As at 31 Mar 2014 (RM'000)	As at 31 Dec 2013 (RM'000)
Total retained profits of the Company and its subsidiaries:		
- Realised	216,841	215,550
- Unrealised	83,410	82,236
	<u>300,251</u>	<u>297,786</u>
Total share of retained profits from associated companies:		
- Realised	(298)	(279)
	<u>299,953</u>	<u>297,507</u>
Consolidation adjustments	<u>(104,603)</u>	<u>(103,835)</u>
TOTAL	<u>195,350</u>	<u>193,672</u>

15. Note to the Statement of comprehensive Income

	3 months ended 31 Mar 2014 (RM'000) (Unaudited)	3 months ended 31 Mar 2013 (RM'000) (Audited)
Profit from operations from the period is arrived at after charging:		
Amortisation of prepaid land and building lease payment	19	-
Depreciation on property, plant and equipment	936	997
Property, plant and equipment written off	174	9
And after credited:		
Proceeds from insurance claims	30	-
Gains on disposal of assets held for sale	-	8

16. Authorization of issue

The interim financial statements were authorized for release by the Board in accordance with a resolution of the Directors on 21 May 2014.

By order of the Board

Lim Seck Wah
Company Secretary