

Notes to the interim financial statements for the period ended 30 June 2014

A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134

1. Accounting Policies and Method of Computation

The Condensed Interim Financial Statements 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 condensed consolidated 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 these condensed consolidated 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: Investment Entities
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
Amendments to MFRS 139	Financial Instruments: Recognition and Measurements: Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

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 30 June 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 issuance, cancellation, repurchase, 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, the dividend of RM7,919,600 will be paid on 14 August 2014.

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 except the following:

On 19 August 2014, there was a fire at Kamdar Shopping Centre at No.113 Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur. Currently, the outlet is temporarily closed for business and the adjusters are in the midst of ascertaining the stocks damaged by the smoke and the repair of the building is currently being undertaken. This incident is expected to have limited financial impact on the Group.

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 2014, except for:

	30 June 2014 (RM'000)
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Sdn Bhd	41,347
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Beauty Gallent Sdn Bhd	9,659
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Stores Sdn Bhd	8,159
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Holdings Sdn Bhd	16,384
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kesar Sdn Bhd	16,153
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Total:	91,702
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14. Related Party Transactions

The Group's recurrent related party transactions in the current quarter and the cumulative period to date ended 30 June 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)	-	-	-	-	-
Parklane Fabrics Pte Ltd (3)	-	-	-	-	-
Aum Fabrics Pte Ltd (4)	-	21	-	-	21
Total	-	21	-	356	377
Cumulative period:					
Kamdar Properties Sdn Bhd (1)	-	-	-	712	712
Parklane Fabrics Sdn Bhd (2)	-	14	-	-	14
Parklane Fabrics Pte Ltd (3)	-	7	-	-	7
Aum Fabrics Pte Ltd (4)	-	21	-	-	21
Total	-	42	-	712	754

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.

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

15. Capital Commitments

Not applicable.

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

1. Review of Performance

	Quarter 6 months ended 30 June 2014 RM'000 (unaudited)	Quarter 6 months ended 30 June 2013 RM'000 (unaudited)
Revenue	90,883	97,345
Profit before tax	7,388	12,280

The Group's revenue for the current financial period ended 30 June 2014 decreased by 6.64% to RM90.88 million as compared to RM97.34 million which was recorded in the previous year's financial period ended 30 June 2013. Profit before taxation of RM7.39 million was 39.84% lower as compared to RM12.28 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 6 months ended 30 June 2014 RM'000 (Unaudited)	Preceding Quarter 3 months ended 31 Mar 2014 RM'000 (Unaudited)
Revenue	50,525	40,358
Profit before taxation	4,712	2,676

For the current financial quarter, the Group's revenue increased by 25.2% to RM50.525 million as compared to RM40.358 million in the preceding financial quarter ended 31 Mar 2014. The Company's revenue for the second quarter is better due to shopping for the festive season. Profit before tax (PBT) for the current financial quarter was RM4.712 million as compared to RM2.676 million in the preceding financial quarter ended 31 Mar 2014, an increase of 76.08%. The increase in PBT was mainly due to the aforesaid reasons 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 30 June 2014 (RM'000)	3 months ended 30 June 2013 (RM'000)	6 months ended 30 June 2014 (RM'000)	6 months ended 30 June 2013 (RM'000)
Current taxation - Malaysia				
- Current financial period	1,563	1,956	2,651	3,542
- Deferred tax	-	-	(71)	-
Total	<u>1,563</u>	<u>1,956</u>	<u>2,580</u>	<u>3,542</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 30 June 2014.

9. Borrowings

As at 30 June 2014, the total borrowings of KGMB Group were as follows:

	As at 30 June 2014 (RM'000)	As at 31 Dec 2013 (RM'000)
Secured:		
Short term	65,491	41,217
Long term	36,615	35,895
TOTAL	<u>102,106</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

There was no material litigation against the Group as at the reporting date.

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 2014 (RM'000)	6 months ended 30 June 2013 (RM'000)
Profit after tax	4,808	8,738
Number of Ordinary shares in issue	197,990	197,990
Basic earnings per share(sen)	2.43	4.41

Diluted earnings per share are not applicable for the Company.

14. Disclosure of Realised and Unrealised Profits

	As at 30 June 2014 (RM'000)	As at 31 Dec 2013 (RM'000)
Total retained profits of the Company and its subsidiaries:		
- Realised	220,547	215,550
- Unrealised	83,410	82,236
	303,957	297,786
Total share of retained profits from associated companies:		
- Realised	(298)	(279)
	303,659	297,507
Consolidation adjustments	(105,179)	(103,835)
TOTAL	198,480	193,672

15. Note to the Statement of comprehensive Income

	6 months ended 30 June 2014 (RM'000) (Unaudited)	6 months ended 30 June 2013 (RM'000) (Unaudited)
Profit from operations from the period is arrived at after charging:		
Amortisation of prepaid land and building lease payment	38	-
Depreciation on property, plant and equipment	1,902	1,323
Property, plant and equipment written off	180	11
And after credited:		
Proceeds from insurance claims	30	28
Gains on disposal of assets held for sale	-	8

16. Authorisation of issue

The condensed consolidated interim financial statements were authorised for release by the Board in accordance with a resolution of the Directors on 26 June 2014.

By order of the Board

Lim Seck Wah
Company Secretary