

Notes to the interim financial statements for the period ended 30 Sept 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: 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 measurement – 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 Sept 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

A first and final single tier dividend of 4 sen per ordinary share of RM1.00 each, amounting to RM6,099,573 for the financial year ended 31 December 2013 was paid on 14 August 2014.

The dividend amount of RM1,820,027 due to 2 shareholders was withheld and set aside in the Company's account pursuant to Stop Notice issued by Kuala Lumpur High Court dated 6 May 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 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 Sept 2014, except for:

	30 Sept 2014 (RM'000)
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Sdn Bhd	31,061
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Beauty Gallant Sdn Bhd	9,483
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Stores Sdn Bhd	9,455
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Holdings Sdn Bhd	15,967
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kesar Sdn Bhd	20,348
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Mint Saga Sdn Bhd	58
Total	<u>86,372</u>

14. Related Party Transactions

The Group's recurrent related party transactions in the current quarter and the cumulative period to date ended 30 Sept 2014 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)	-	-	-	-
Parklane Fabrics Pte Ltd (3)	-	-	-	-
Aum Fabrics Pte Ltd (4)	54	-	-	54
Globe Textiles Sdn Bhd (5)	-	-	11	11
Total	<u>54</u>	<u>-</u>	<u>356</u>	<u>421</u>
Cumulative period:				
Kamdar Properties Sdn Bhd (1)	-	-	1,068	1,068
Parklane Fabrics Sdn Bhd (2)	14	-	-	14
Parklane Fabrics Pte Ltd (3)	7	-	-	7
Aum Fabrics Pte Ltd (4)	75	-	-	75
Globe Textiles Sdn Bhd (5)	-	-	11	11
Total	<u>96</u>	<u>-</u>	<u>1,079</u>	<u>1175</u>

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 substantial interest.

Note (5) a company which the director, Mr Kamal Kumar Kishorchandra's sister has deemed substantial interest.

15. Capital Commitments

Capital commitments not provided for in the financial statement as at 30 September 2014 are as follows:

	30 Sept 2014 RM'000	31 Dec 2013 RM'000
Authorised but not contracted for:-		
- Property, plant and equipment	16,803	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 2014 RM'000 (unaudited)	Quarter 9 months ended 30 Sept 2013 RM'000 (unaudited)
Revenue	139,499	153,161
Profit before tax	<u>7,593</u>	<u>17,855</u>

The Group's revenue for the current financial period ended 30 Sept 2014 decreased by 8.92% to RM139.50 million as compared to RM153.16 million which was recorded in the previous year's financial period ended 30 Sept 2013. Profit before taxation of RM7.59 million was 57.50% lower as compared to RM17.86 million in the previous year's financial period mainly due to general curtailment of demand in the retail industry, decline in retail market segments and temporary closure of one of the store due to the fire on 19 August 2014.

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

	Individual Quarter 3 months ended 30 Sept 2014 RM'000 (Unaudited)	Preceding Quarter 3 months ended 30 June 2014 RM'000 (Unaudited)
Revenue	48,616	50,525
Profit before tax	<u>205</u>	<u>4,712</u>

For the current financial quarter, the Group's revenue decreased by 3.78% to RM48.62 million as compared to RM50.53 million in the preceding financial quarter ended 30 June 2014. The lower revenue for the third quarter was mainly due to decline in the wholesale business. Profit before tax (PBT) for the current financial quarter was RM0.21 million as compared to RM4.71 million in the preceding financial quarter ended 30 June 2014, a decrease of 95.54%. The Group's results for the quarter was mainly affected by the impact of the stock write off amounting to RM3.92million due to damage by smoke and soot from the outcome of the fire and impairment of fixed assets. Currently the insurance company is in the midst of auditing and confirming the value of the claims.

3. Commentary on Prospects

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

4. Profit Forecast

Not applicable.

5. Taxation

	3 months ended 30 Sept 2014 (RM'000)	3 months ended 30 Sept 2013 (RM'000)	9 months ended 30 Sept 2014 (RM'000)	9 months ended 30 Sept 2013 (RM'000)
Current taxation - Malaysia				
- Current financial period	666	1,666	3,317	5,208
- Deferred tax	-	-	(71)	-
Total	<u>666</u>	<u>1,666</u>	<u>3,246</u>	<u>5,208</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 Sept 2014.

9. Borrowings

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

	As at 30 Sept 2014 (RM'000)	As at 31 Dec 2013 (RM'000)
Secured:		
Short term	55,655	41,217
Long term	<u>40,768</u>	<u>35,895</u>
Total	<u>96,423</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 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 Sdn Bhd ("KSB"), a wholly owned subsidiary of the Company, has initiated a suit through Messrs Amrit & Company on 9 October 2014 to recover an alleged withdrawal of funds totaling RM8.7million by 3 Individual. This has previously been announced.

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 2014 (RM'000)	9 months ended 30 Sept 2013 (RM'000)
Profit after tax	4,347	12,647
Number of Ordinary shares in issue	197,990	41,217
Basic earnings per share(sen)	2.20	6.39

Diluted earnings per share are not applicable for the Company.

14. Disclosure of Realised and Unrealised Profits

	As at 30 Sept 2014 (RM'000)	As at 31 Dec 2013 (RM'000)
Total retained profits of the Company and its subsidiaries:		
- Realised	210,413	215,550
- Unrealised	85,978	82,236
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	296,391	297,786
Total share of retained profits from associated companies:		
- Realised	(298)	(279)
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	296,093	297,507
Consolidation adjustments	(105,994)	(103,835)
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TOTAL	190,099	193,672

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

	9 months ended 30 Sept 2014 (RM'000) (Unaudited)	9 months ended 30 Sept 2013 (RM'000) (Unaudited)
Profit from operations from the period is arrived at after charging:		
Amortisation of prepaid land and building lease payment	57	-
Bad debts written off	-	272
Depreciation on property, plant and equipment	2,902	2,016
Impairment loss on investment in an associate company	259	-
Interest expenses	1,797	2,100
Inventories written off	3,916	-
Inventories written down	2,632	-
Property, plant and equipment written off	970	11
And after credited:		
Proceeds from insurance claims	30	28
Gains on disposal of assets held for sale	-	8
Impairment loss on receivables no longer required	33	-
Interest income	182	141

16. Authorisation of issue

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

By order of the Board

Lim Seck Wah
Company Secretary