

Notes to the interim financial statements for the period ended 31 March 2015

**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 2014. 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 2014.

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 2014 except for the adoption of the following MFRSs, Amendments of MFRSs and IC Interpretation which are applicable for the Group Financial period beginning 1 January 2015.

Amendments to MFRS	1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)
Amendments to MFRS	8 Operating Segments (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS	13 Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
Amendments to MFRS	116 Property, Plant & Equipment (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS	124 Related Party Disclosures (Annual Improvements 2010-2012 Cycle)

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2014 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 2015.

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

There was no dividend paid in respect of the current financial quarter.

9. Business segments

	Textiles 2015 31 Mar RM'000	Investment 2015 31 Mar RM'000	Elimination 2015 31 Mar RM'000	Total 2015 31 Mar RM'000
Revenue				
External revenue	43,230	328	-	43,558
Inter-segment revenue	2,096	2,064	(4,160)	-
Total revenue	<u>45,326</u>	<u>2,392</u>	<u>(4,160)</u>	<u>43,558</u>
Results				
Interest income	62	-	-	62
Finance costs	(573)	(602)	-	(1,175)
Depreciation and amortization	(285)	(65)	(353)	(703)
Other non-cash income/(expenses)	(33)	-	-	(33)
Income tax expenses	(392)	(440)	(35)	(867)
Segmental gain/(loss)	<u>1,156</u>	<u>1,662</u>	<u>(242)</u>	<u>2,576</u>
Assets				
Property, plant & equipment	607	-	-	607
Capital work-in-progress	-	884	-	884
Segment assets	229,691	530,309	(421,903)	338,097
Liabilities				
Segment liabilities	60,326	49,133	(92,000)	17,459

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 balance sheet date to be disclosed in the financial statements for the current financial 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 2015, except for:

	31 March 2015 (RM'000)
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Sdn Bhd	30,195
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Pusat Membeli-belah Kamdar (Penang) Sdn Bhd	758
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Beauty Gallant Sdn Bhd	9,207
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Stores Sdn Bhd	8,982
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Holdings Sdn Bhd	15,123
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kesar Sdn Bhd	15,125
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Total	<u><u>79,390</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 March 2015 are as follows:

	Sale of goods (RM'000)	Rental expenses (RM'000)	Total (RM'000)
Current quarter:			
Kamdar Properties Sdn Bhd (1)	-	356	356
Aum Fabrics Pte Ltd (2)	48	-	48
Globe Textiles Sdn Bhd (3)	-	30	30
Pragna a/p K M Kamdar (4)	-	5	5
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Total	48	391	439
Cumulative period:			
Kamdar Properties Sdn Bhd (1)	-	356	356
Aum Fabrics Pte Ltd (2)	48	-	48
Globe Textiles Sdn Bhd (3)	-	30	30
Pragna a/p K M Kamdar (4)	-	5	5
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Total	48	391	439

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's sister has substantial interest.

Note (3) a company which the director, Mr Kamal Kumar Kishorchandra has substantial interest.

Note (4) Ms Pragna a/p K M Kamdar is sister of Mr Kamal Kumar Kishorchandra Kamdar.

15. Capital Commitments

Capital commitments not provided for in the financial statement as at 31 March 2015 are as follows:

	31 Mar 2015 RM'000	31 Mar 2014 RM'000
Authorised and contracted for:-		
- Property, plant and equipment	14,986	-

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

1. Review of Performance

	Quarter 3 months ended 31 March 2015 RM'000 (unaudited)	Quarter 3 months ended 31 March 2014 RM'000 (unaudited)
Revenue	43,558	40,358
Profit before tax	<u>2,330</u>	<u>2,676</u>

The Group's revenue for the current financial period ended 31 March 2015 increased by 7.93% to RM43.56 million as compared to RM40.36 million which was recorded in the previous year's financial period ended 31 March 2014. Profit before taxation of RM2.33 million was 13.06% lower as compared to RM2.68 million in the previous year's financial period mainly due to lower profit margin and higher operating costs.

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

	Individual Quarter 3 months ended 31 Mar 2015 RM'000 (Unaudited)	Preceding Quarter 3 months ended 31 Dec 2014 RM'000 (Unaudited)
Revenue	43,558	44,187
Profit before tax	<u>2,330</u>	<u>2,489</u>

The profit before tax of RM2.33 million for the quarter was lower than the preceding quarter of RM2.49 million mainly due to the insurance claim received in the preceding quarter.

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 31 Mar 2015 (RM'000)	3 months ended 31 Mar 2014 (RM'000)	Year to date dated 31 Mar 2015 (RM'000)	Year to date dated 31 Mar 2014 (RM'000)
Current taxation - Malaysia				
- Current financial period	867	1,088	867	1,088
- Deferred tax	-	(71)	-	(71)
Total	867	1,017	867	1,017

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 2015.

9. Borrowings

As at 31 March 2015, the total borrowings of KGMB Group were as follows:

	As at 31 March 2015 (RM'000)	As at 31 Dec 2014 (RM'000)
Secured:		
Short term	50,586	44,483
Long term	46,655	47,645
Total	97,241	97,128

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 2 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.

	3 months ended 31 Mar 2015 (RM'000)	3 months ended 31 Mar 2014 (RM'000)
Profit after tax	1,463	1,659
Number of Ordinary shares in issue	197,990	197,990
Basic earnings per share(sen)	<u>0.74</u>	<u>0.84</u>

Diluted earnings per share are not applicable for the Company.

#### 14. Disclosure of Realised and Unrealised Profits

	As at 31 Mar 2015 (RM'000)	As at 31 Dec 2014 (RM'000)
Total retained profits of the Company and its subsidiaries:		
- Realised	231,921	230,360
- Unrealised	<u>69,097</u>	<u>68,952</u>
	301,018	299,312
Consolidation adjustments	<u>(106,663)</u>	<u>(106,420)</u>
TOTAL	<u>194,355</u>	<u>192,892</u>

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

	3 months ended 31 Mar 2015 (RM'000) (Unaudited)	3 months ended 31 Mar 2014 (RM'000) (Unaudited)
Profit from operations from the period is arrived at after charging:		
Amortisation of prepaid land and building lease payment	23	19
Depreciation on property, plant and equipment	680	936
Interest expenses	1,175	613
Loss on disposal of property, plant and equipment	1	-
Property, plant and equipment written off	32	174
And after credited:		
Proceeds from insurance claims	2,366	30
Interest income	62	44

16. Authorisation of issue

The interim financial statements were authorised for release by the Board in accordance with a resolution of the Directors on 28 May 2015.

By order of the Board

Lim Seck Wah  
Company Secretary