

KAMDAR GROUP (M) BERHAD (Company no: 577740-A)
(Incorporated in Malaysia)

Quarterly Report On Results For The First Quarter Ended 31 March 2006

NOTES TO INTERIM FINANCIAL REPORT

1. Accounting Policies and Method of Computation

The interim financial report for the financial quarter ended 31 March 2006 is unaudited and has been prepared in accordance with Financial Reporting Standard (FRS) 134: Interim Financial Reporting and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005.

2. Changes in Accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for financial period beginning 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-Current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of FRS 2, 5, 101, 102, 108, 110, 116, 121, 127, 128, 131, 132, 133, 136, 138 and 140 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are discussed below:

(a) FRS 3: Business Combinations

Under FRS 3, any excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost of acquisition (previously referred to as "negative goodwill"), after reassessment, is now recognised immediately in profit or loss. Prior to 1 January 2006, negative goodwill was carried at cost. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 1

January 2006 of RM2,784,161 was derecognised with a corresponding increase in retained profits.

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2005 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 2006.

6. Changes in Estimates

There were no changes in estimates that have had a material effect in the current quarter results.

7. Debt and Equity Securities

There were no cancellations, repurchases, resale and repayment of debt and equity securities in current quarter.

8. Dividends Paid

No dividend has been paid during the financial quarter under review.

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 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 2006:

	31 March 2006 (RM'000)
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Sdn Bhd	21,500 =====

14. Capital Commitments

As at 31 March 2006, the Group has capital commitments in respect of property, plant and equipment as follows:

	RM'000
Approved and contracted for	5,764

15. Performance Review

A.

	Individual Quarter 3 months ended 31 March 2006 RM'000 (Unaudited)	Cumulative Quarter 3 months ended 31 March 2005 RM'000 (Unaudited)
Revenue	30,099	30,363
Loss before taxation	(1,526)	(3,062)

The performances of the business are further elaborated in Section B below.

B.

The Group's revenue for the current financial period ended 31 March 2006 is RM30.099 million as compared to RM30.363 million in the prior financial period ended 31 March 2005, a decrease of 0.9%. The Group's loss before taxation has decreased from RM3.062 million for the prior financial period ended 31 March 2005 to RM1.526 million for the current financial period ended 31 March 2006, mainly due to the listing expenses of RM2.226 incurred in the prior financial period.

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

For the financial year ended 31 March 2006, the Group recorded revenues of approximately RM30.099 million as compared to approximately RM63.179 million in the preceding quarter ended 31 December 2005, a decrease of RM33.080 million. The Group's loss before taxation for the current quarter ended 31 March 2006 of RM1.526 million as compared to a profit before tax of RM12,274 million in the preceding quarter ended 31 December 2005. The major decrease in Group's revenue is mainly due to increased sales during the festive period in the last quarter of the previous year.

17. Commentary on Prospects

The retail sector is expected to be operating in a challenging environment. Thus, the Group's future prospects would be measured.

18. Profit Forecast

Not applicable.

19. Taxation

	Current Quarter	Current Year To Date
	31 March 2006 RM'000	31 March 2006 RM'000
Current taxation - Malaysian - Current year's provision	<u>627</u>	<u>627</u>

Taxation for the current quarter was mainly due to provision made for profit making subsidiary companies although the Group incurred loss before tax during the quarter.

20. Sale of Unquoted Investments and Properties

There were no sales of unquoted securities or properties during the current quarter under review.

21. Marketable Securities

There were no disposals of quoted securities during the current financial period.

22. Corporate Proposals

There were no corporate proposals announced but not completed as at 31 March 2006.

23. Borrowings

As at 31 Mar 2006, the total borrowings of KGMB Group were follows:

	As at 31/03/2006 RM000	As at 31/12/2005 RM000
Short term borrowings:		
Secured	20,196	22,568
Unsecured	19,320	18,219
	<u>39,516</u>	<u>40,787</u>
Long term borrowings:		
Secured	26,538	27,350

Unsecured	65,571	65,464
	<u>92,109</u>	<u>92,814</u>

The above borrowings are denominated in Ringgit Malaysia.

24. Off Balance Sheet Financial instruments

The Group does not have any off balance sheet financial instruments including foreign currency contracts nor has it entered into any during the current quarter and financial period-to-date.

25. 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 : -

- (i) the charge by Indah Water Consortium Sdn Bhd, of approximately RM0.8 million, of which accruals have been provided for in the financial statements for the year ended 31 December 2005.
- (j) the charge by Wind Hill Development and Construction Sdn Bhd, of approximately RM1.6 million.

26. Dividend

The Directors do not recommend any interim dividend for the financial quarter under review.

27. Loss Per Share

(a) Basic

Basic loss per share is calculated by dividing the loss after tax by the weighted average number of ordinary shares in issue during the financial period.

	Individual Quarter	Cumulative Quarter
	31 March 2006	31 March 2006
Loss after tax (RM'000)	<u>(2,153)</u>	<u>(2,153)</u>
Weighted average number of ordinary shares in issue ('000)	125,990	125,990
Basic loss per share (sen)	(1.71)	(1.71)

27. Loss Per Share (cont'd)

(b) Diluted

Computation of diluted loss per share is not applicable for the current quarter and financial period to date as the conversion of all potential ordinary shares is anti-dilutive which will cause a decrease in loss per share.

28. Others

The relevant approval from MPPJ for the renovation on property, bearing the address of No. 61 Jalan SS2/64, 47300 Petaling Jaya, Selangor had been received.

29. Authorization of issue

The interim financial statements were authorized for release by the Board in accordance with a resolution of the Directors on 29 May 2006.

By order of the Board

Lim Seck Wah
Company Secretary