

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

Quarterly Report On Results For The Fourth Quarter Financial Ended 31 Dec 2012
NOTES TO INTERIM FINANCIAL REPORT

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 Financial Reporting Standard (MFRS) 134: Interim Financial Reporting and Chapter 9 Appendix 9B of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The interim financial report is the Group's first MFRS interim financial report for part of the period covered by the Group's first MFRS annual financial statements for the year ending 31 December 2012. MFRS 1 First-Time Adoption of Malaysia Financial Reporting Standard ("MFRS 1") has been applied.

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011. 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 2011.

The date of transition to the MFRS framework as at 1 January 2012, the group reviewed its accounting policies and considered the transitional opportunities under MFRS1. The impact of the transition from FRS and MFRS is described in Note 2 below.

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 2011 except as discussed below:

a) Business combination

MFRS 1 provides the option to apply MFRS 3 Business Combinations, prospectively from the date of transition or from a specific date prior to the date of transition. The option provided relief from full retrospective application of MFRS which would require restatement of all business combinations prior to the date of transition.

Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition and the followings are the results of applying the above exemption in respect of acquisitions prior to the date of transition:-

- i. The classification of business combinations under FRS is maintained
- ii. There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
- iii. The carrying amount of goodwill recognized under FRS is not adjusted.

b) Investment properties

Under the transition of MFRS, the Group has recognized its investment properties at fair value.

The effect of the investment properties are as follows:-

Statement of Financial Position

	FRS as At <u>1.1.2011</u> RM'000	<u>Adjustments</u> RM'000	MFRS At <u>1.1.2011</u> RM'000
Investment properties	1,515	1,030	2,545
Reserves	<u>(16,858)</u>	<u>1,030</u>	<u>(15,828)</u>

	FRS as At <u>31.12.2011</u> RM'000	<u>Adjustment</u> RM'000	MFRS at At <u>31.12.2011</u> RM'000
Investment properties	1,497	1,428	2,925
Reserves	<u>(2,563)</u>	<u>1,428</u>	<u>(1,135)</u>

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2011 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 December 2011.

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

A first and final single tier dividend of 4 sen per ordinary share of RM1.00 each, amounting to RM7,919,600 in respect of the financial year ended 31 December 2011 was paid on 9 July 2012.

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 Dec 2012:

	31 Dec 2012 (RM'000)
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Sdn Bhd	30,488
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Beauty Gallent Sdn Bhd	10,405
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Stores Sdn Bhd	4,469
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Holdings Sdn Bhd	15,694
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kesar Sdn Bhd	20,467
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Pusat Membeli-belah Kamdar (Penang) Sdn Bhd	747
	<hr/> 82,270 <hr/>

14. Related Party Transactions

The Group's related party transactions in the current quarter and the cumulative period to date ended 31 Dec 2012 are as follows:

Nature of relationship	Sales of goods (RM'000)	Purchase of goods (RM'000)	Rental expenses (RM'000)	Total for nature expenses (RM'000)
Current quarter:				
Kamdar Properties Sdn Bhd (1)	-	-	356	356
Parklane Fabrics Sdn Bhd (2)	79	-	-	79
Sarah Hughes @ Global Sdn Bhd (3)	1	-	-	1
Deepak Textiles (4)	-	11	-	11
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	80	11	356	447
Cumulative period:				
Kamdar Properties Sdn Bhd (1)	-	-	1,328	1,328
Parklane Fabrics Sdn Bhd (2)	146	-	-	146
Sarah Hughes @ Global Sdn Bhd (3)	2	-	-	2
Deepak Textiles (4)	-	16	-	16
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	148	16	1,328	1,492

Note (1) a company which Mr Bipinchandra A/L Balvantrai has substantial interest.

Note (2) a company which Mr Kamal Kumar Kishorchandra has substantial interest.

Note (3) a company which Mr Bipinchandra A/L Balvantrai & Mr Hamendra A/L B M Kamdar's sister has substantial interest.

Note (4) a company which Mr Rajesh Kumar A/L Gejinder Nath's father 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

	12 months ended 31 Dec 2012 RM'000 (unaudited)	12 months ended 31 Dec 2011 RM'000 (unaudited)
Revenue	215,499	214,729
Profit before taxation	22,627	20,823

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

The Group's revenue for the current financial period ended 31 Dec 2012 is slightly higher than the previous year's financial period ended 31 Dec 2011 by RM0.77 million, whilst the profit before taxation has increased by RM1.804 million.

Gross margin for the period under review is decreased by 0.7%. However, profit before tax is 8.66% higher due to:

- a) Exceptional gain of RM1.2 million from the disposal of two properties in Putrajaya in current year and there was a gain on deconsolidation of a subsidiary company of RM2.3 million in previous year, resulting there is a decrease of RM1.1 million in other income.
- b) Decreased in advertising expenditure.

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

	Individual Quarter 3 months ended 31 Dec 2012 RM'000 (unaudited)	Preceding Quarter 3 months ended 30 Sept 2012 RM'000 (unaudited)
Revenue	55,648	62,466
Profit before taxation	4,654	10,469

For the current financial quarter ended 31 Dec 2012, the Group recorded a revenue of approximately RM55.648 million as compared to approximately RM62.466 million in the preceding financial quarter ended 30 Sept 2012, a decrease of RM6.818 million. The Group's profit before taxation for the current quarter ended 31 Dec 2012 was RM4.654 million as compared to a profit before tax of RM10.469 million in the preceding financial quarter ended 30 Sept 2012 due to gross margins during the quarter have declined by 4.2% and this was caused by the discounting activities conducted during the quarter reviewed.

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		12 months ended	
	31 Dec 2012 RM'000	31 Dec 2011 RM'000	31 Dec 2012 RM'000	31 Dec 2011 RM'000
Current taxation – Malaysia				
- Current financial period	2,086	1,766	7,592	6,152
Deferred tax expense	-	-	(2)	-
	<u>2,086</u>	<u>1,766</u>	<u>7,590</u>	<u>6,152</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 of Unquoted Investments and Properties

There was no sale 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 Dec 2012.

9. Borrowings

As at 31 Dec 2012, the total borrowings of KGMB Group were as follows:

	As at 31 Dec 2012 RM'000	As at 31 Dec 2011 RM'000
Secured:		
Short term	59,427	53,289
Long term	<u>39,700</u>	<u>34,348</u>
	<u>99,127</u>	<u>87,637</u>

The above borrowings are denominated in Ringgit Malaysia.

10. Financial instruments

The Group does not have any financial instruments including foreign currency contracts at the reporting date nor has it entered into any 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 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. The suit against KHSB, by arrangement will be defended by PPBKBJ.

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		12 months ended	
	31 Dec 2012 RM'000	31 Dec 2011 RM'000	31 Dec 2012 RM'000	31 Dec 2011 RM'000
Profit after tax (RM'000)	2,568	3,210	15,037	14,671
Number of Ordinary shares in issue ('000)	197,990	197,990	197,990	197,990
Basic earnings per share (sen)	<u>1.30</u>	<u>1.62</u>	<u>7.59</u>	<u>7.40</u>

Diluted earnings per share are not applicable for the Company.

14. Disclosure of Realised and Unrealised Profits

	As at 31 Dec 2012 RM'000	As at 31 Dec 2011 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	204,788	194,558
- Unrealised	<u>(2,701)</u>	<u>(1,271)</u>
	202,087	193,287
 Total share of retained profits from associated companies:		
- Realised	(221)	(224)
	<u>201,866</u>	<u>193,063</u>
 Consolidation adjustments	<u>(21,703)</u>	<u>(20,018)</u>
	<u>180,163</u>	<u>173,045</u>

15. Note to the Statement of comprehensive Income

	12 months ended 31 Dec 2012 RM'000 (Unaudited)	12 months ended 31 Dec 2011 RM'000 (Unaudited)
Profit from operations from the period is arrived at after charging:		
Depreciation and amortisation	4,123	4,525
Property, plant and equipment written off	256	1,169
Bad debts written off	4	1,413
Impairment loss on receivables	-	48
 And after crediting:		
Impairment loss on receivables no longer required	7	18
Proceeds from insurance claims	77	-
Gains on disposal of property, plant and equipment	1,200	42
Fair value gain on investment properties	-	380

16. Authorization of issue

The interim financial statements were authorized for release by the Board in accordance with a resolution of the Directors on 27 Feb 2013.

By order of the Board

Lim Seck Wah
Company Secretary