

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

Notes to the interim financial statements for the period ended 30 Sept 2016

**A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134**

1. Accounting Policies and Method of Computation

The interim financial report of the Group is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standards (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 2015. 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 2015.

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 2015 except for the adoption of the following MFRSs and Amendments of MFRSs which are applicable for the Group financial period beginning 1 January 2016.

MFRS 14 - Regulatory Deferral Accounts  
Amendments to MFRS 10, MFRS 12 and MFRS 128 – Investment Entities: Applying the Consolidation Exception  
Amendments to MFRS11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations  
Amendments to MFRS 101 – Disclosure Initiative  
Amendments to MFRS 116 and MFRS 138 – Clarification of Acceptable Methods of Depreciation and Amortisation  
Amendments to MFRS 127 – Equity Method in Separate Financial Statements  
Annual Improvements to MFRSs 2012-2014 Cycle  
(a) Amendments to MFRS 5  
(b) Amendments to MFRS 7  
(c) Amendments to MFRS 119  
(d) Amendment to MFRS 134

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2015 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 2016.

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

	Trading activities 2016 30 Sept RM'000	Investment 2016 30 Sept RM'000	Elimination 2016 30 Sept RM'000	Total 2016 30 Sept RM'000
Revenue				
External revenue	120,745	1,333	-	122,078
Inter-segment revenue	16,885	8,487	(25,372)	-
Total revenue	<u>137,630</u>	<u>9,820</u>	<u>(25,372)</u>	<u>122,078</u>
Results				
Interest income	126	-	-	126
Finance costs	(1,529)	(1,730)	-	(3,259)
Depreciation & amortization	(1,491)	(297)	(733)	(2,521)
Other non-cash expenses	(218)	-	-	(,218)
Income tax expenses	(434)	(2,072)	25	(2,481)
Segmental gain/(loss)	<u>(1,018)</u>	<u>6,073</u>	<u>(813)</u>	<u>4,242</u>
Segment profit				4,242
Interest income				126
Finance costs				<u>(3,259)</u>
Profit after tax				<u>1,109</u>
Assets				
Additional to non-current assets other than deferred tax assets	1,597	148	-	1,745
Segment assets	<u>244,420</u>	<u>558,638</u>	<u>(461,326)</u>	<u>341,732</u>
Liabilities				
Segment liabilities	<u>72,104</u>	<u>56,140</u>	<u>(114,866)</u>	<u>13,378</u>

#### 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 reporting 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 30 Sept 2016, except for:

	30 Sept 2016 (RM'000)
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Sdn Bhd	29,733
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Pusat Membeli-belah Kamdar (Penang) Sdn Bhd	353
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Beauty Gallant Sdn Bhd	8,020
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Stores Sdn Bhd	18,782
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Holdings Sdn Bhd	12,461
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kesar Sdn Bhd	23,518
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Total	<u>92,867</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 2016 are as follows:

	Sale of goods (RM'000)	Purchase of goods (RM'000)	Rental expenses (RM'000)	Total (RM'000)
Current quarter:				
Aum Fabrics Pte Ltd (1)	95	-	-	95
Globe Textiles Sdn Bhd (2)	-	-	(20)	(20)
Pragna a/p K M Kamdar (3)	-	-	5	5
SNS Textiles Sdn Bhd (4)	7	-	-	7
Total	102	-	(15)	87
Cumulative period:				
Aum Fabrics Pte Ltd (1)	191	-	-	191
Globe Textiles Sdn Bhd (2)	-	-	40	40
Pragna a/p K M Kamdar (3)	-	-	16	16
SNS Textiles Sdn Bhd (4)	7	131	-	138
Total	198	131	56	385

Note (1) a company which the director, Ms Pragna A/P K M Kamdar has substantial interest.

Note (2) a company which the directors, Mr Kamal Kumar Kishorchandra Kamdar & Ms Pragna A/P K M Kamdar have substantial interest.

Note (3) Ms Pragna A/P K M Kamdar, a non-independent non-executive director.

Note (4) a company in which the subsidiary's director, Mr Hamendra a/l B.M. Kamdar's son has substantial interest.

#### 15. Capital Commitments

Capital commitments not provided for in the financial statement as at 30 Sept 2016 are as follows:

	30 Sept 2016 RM'000	30 Sept 2015 RM'000
Authorised and contracted for:-		
- Property, plant and equipment	3,356	10,702

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

1. Review of Performance

	9 months ended 30 Sept 2016 RM'000 (unaudited)	9 months ended 30 Sept 2015 RM'000 (unaudited)
Revenue	122,078	126,789
Profit before tax	<u>3,590</u>	<u>7,356</u>

The Group's revenue for the year to date ended 30 Sept 2016 decreased by 3.72% to RM122.08 million as compared to RM126.79 million which was recorded in the previous year's financial period ended 30 Sept 2015. Profit before taxation of RM3.59 million was 51.2% lower as compared to RM7.36 million in the previous year's financial period. However if RM4.15 million attributable to an exceptional and non-recurrent insurance claim is excluded from the previous year's results, the PBT of the previous year becomes RM3.21 million. On this basis the current 9 months year to date PBT of RM3.59 million shows a minor improvement.

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

	Individual Quarter 3 months ended 30 Sept 2016 RM'000 (Unaudited)	Preceding Quarter 3 months ended 30 June 2016 RM'000 (Unaudited)
Revenue	34,666	49,659
Profit/(Loss) before tax	<u>(2,338)</u>	<u>3,018</u>

For the current quarter, the Group's revenue decreased by 30.21% to RM34.67 million as compared to RM49.66 million in the previous quarter ended 30 June 2016. The company suffered a loss before tax of RM2.34 million in this current quarter as compared to a profit before tax of RM3.02 million in the previous quarter. The loss is mainly due to the lower turnover.

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. Tax Expense

	3 months ended 30 Sept 2016 (RM'000)	3 months ended 30 Sept 2015 (RM'000)	Year to date ended 30 Sept 2016 (RM'000)	Year to date ended 30 Sept 2015 (RM'000)
Current taxation – Malaysia - Current financial period	455	865	2,481	3,577
Total	455	865	2,481	3,577

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 2016.

9. Borrowings

As at 30 Sept 2016, the total borrowings of KGMB Group were as follows:

	As at 30 Sept 2016 (RM'000)	As at 30 Sept 2015 (RM'000)
Secured:		
Short term	58,274	57,366
Long term	51,640	44,647
Total	109,914	102,013

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

Pertaining to the suit by our wholly-owned subsidiary, Kamdar Sdn Bhd against Bipinchandra A/L Balvantrai, Jayesh R Kamdar Rajnikant and Yap Kim Hong (“the Defendants”), the Court of Appeal of Malaysia had on 5 September 2016 declared a mistrial and ordered the case to be remitted for re-hearing before a different judge in the High Court.

#### 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 2016 (RM'000)	9 months ended 30 Sept 2015 (RM'000)
Profit after tax	1,109	3,779
Number of Ordinary shares in issue	197,990	197,990
Basic earnings per share(sen)	0.56	1.91
Diluted earnings per share (sen)	N/A	N/A

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

	As at 30 Sept 2016 (RM'000)	As at 31 Dec 2015 (RM'000)
Total retained profits of the Company and its subsidiaries:		
- Realised	233,058	231,137
- Unrealised	81,622	81,622
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	314,680	312,759
Consolidation adjustments	(123,913)	(123,101)
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TOTAL	190,767	189,658

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

	9 months ended 30 Sept 2016 (RM'000) (Unaudited)	9 months ended 30 Sept 2015 (RM'000) (Unaudited)
Profit from operations from the period is arrived at after charging:		
Amortisation of prepaid land and building lease payment	69	69
Depreciation on property, plant and equipment	2,452	2,626
Interest expenses	3,259	3,633
Loss on disposal of property, plant and equipment	168	1
Property, plant and equipment written off	50	187
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And after credited:		
Proceeds from insurance claims	256	4,171
Interest income	126	123
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16. Authorisation of issue

The interim financial statements were authorised for release by the Board in accordance with a resolution of the Directors on 23 Nov 2016.

By order of the Board

Lim Seck Wah  
Company Secretary