

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

Notes to the interim financial statements for the period ended 31 Dec 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 31 Dec 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	Investment	Elimination	Total
	2016	2016	2016	2016
	31 Dec	31 Dec	31 Dec	31 Dec
	RM'000	RM'000	RM'000	RM'000
Revenue				
External revenue	161,318	1,973	-	163,291
Inter-segment revenue	22,483	11,106	(33,589)	-
Total revenue	<u>183,801</u>	<u>13,079</u>	<u>(33,589)</u>	<u>163,291</u>
Results				
Interest income	161	-	-	161
Finance costs	(2,075)	(2,363)	-	(4,438)
Depreciation & amortization	(2,096)	(396)	(945)	(3,437)
Other non-cash expenses	45	1,920	(1,470)	495
Income tax expenses	(364)	(2,850)	32	(3,182)
Segmental (loss)/gain	<u>(979)</u>	<u>9,579</u>	<u>(2,822)</u>	<u>5,778</u>
Segment profit				5,778
Interest income				161
Finance costs				<u>(4,438)</u>
Profit after tax				<u>1,501</u>
Assets				
Additional to non-current assets other than deferred tax assets	1,969	148	-	2,117
Segment assets	<u>250,578</u>	<u>561,022</u>	<u>(464,425)</u>	<u>347,175</u>
Liabilities				
Segment liabilities	74,558	56,374	(115,949)	14,983

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 31 Dec 2016, except for:

	31 Dec 2016 (RM'000)
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Sdn Bhd	33,843
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Pusat Membeli-belah Kamdar (Penang) Sdn Bhd	592
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Beauty Gallant Sdn Bhd	7,763
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Stores Sdn Bhd	18,450
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Holdings Sdn Bhd	11,996
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kesar Sdn Bhd	23,753
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Total	<u>96,397</u>

14. Related Party Transactions

The Group's recurrent related party transactions in the current quarter and the cumulative period to date ended 31 Dec 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)	75	-	-	75
Globe Textiles Sdn Bhd (2)	-	-	-	-
Pragna a/p K M Kamdar (3)	-	-	6	6
SNS Textiles Sdn Bhd (4)	-	-	-	-
Total	102	-	6	87
Cumulative period:				
Aum Fabrics Pte Ltd (1)	266	-	-	266
Globe Textiles Sdn Bhd (2)	-	-	40	40
Pragna a/p K M Kamdar (3)	-	-	22	22
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 31 Dec 2016 are as follows:

	31 Dec 2016 RM'000	31 Dec 2015 RM'000
Authorised and contracted for:-		
- Property, plant and equipment	<u>3,223</u>	<u>10,702</u>

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

1. Review of Performance

	12 months ended 31 Dec 2016 RM'000 (unaudited)	12 months ended 31 Dec 2015 RM'000 (unaudited)
Revenue	163,291	170,001
Profit before tax	<u>4,683</u>	<u>442</u>

The Group's revenue for the year to date ended 31 Dec 2016 decreased by 3.95% to RM163.29 million as compared to RM170.01 million which was recorded in the previous year's financial period ended 31 Dec 2015. Profit before taxation of RM4.68 million has increased as compared to RM0.44 million in the previous year's financial period due to slight improvement in margin and slight decrease in operating expenses.

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

	Individual Quarter 3 months ended 31 Dec 2016 RM'000 (Unaudited)	Preceding Quarter 3 months ended 30 Sept 2016 RM'000 (Unaudited)
Revenue	41,213	34,666
Profit/(Loss) before tax	<u>1,093</u>	<u>(2,338)</u>

For the current quarter, the Group's revenue increased by 18.89% to RM41.21 million as compared to RM34.6 million in the previous quarter ended 30 Sept 2016. The company generated a profit before tax of RM1.09 million in this current quarter as compared to a loss before tax of RM2.34 million in the previous quarter. The profit attributed was mainly due to the higher 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 31 Dec 2016 (RM'000)	3 months ended 31 Dec 2015 (RM'000)	Year to date ended 31 Dec 2016 (RM'000)	Year to date ended 31 Dec 2015 (RM'000)
Current taxation – Malaysia				
- Current financial period	635	56	3,116	3,276
Total deferred tax	66	-	66	400
Total	701	56	3,182	3,676

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 Dec 2016.

9. Borrowings

As at 31 Dec 2016, the total borrowings of KGMB Group were as follows:

	As at 31 Dec 2016 (RM'000)	As at 31 Dec 2015 (RM'000)
Secured:		
Short term	62,815	50,484
Long term	50,500	43,568
Total	113,315	94,052

The foreign currency profile of short term borrowings are as below:

	As at 31 Dec 2016 (RM'000)	As at 31 Dec 2015 (RM'000)
United States Dollar	17,949	4,195
Ringgit Malaysia	95,366	89,857
Total	113,315	94,052

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.

	12 months ended 31 Dec 2016 (RM'000)	12 months ended 31 Dec 2015 (RM'000)
Profit/(loss) after tax	1,501	(3,234)
Number of Ordinary shares in issue	197,990	197,990
Basic earnings per share(sen)	0.76	(1.60)
Diluted earnings per share (sen)	N/A	N/A

14. Disclosure of Realised and Unrealised Profits

	As at 31 Dec 2016 (RM'000)	As at 31 Dec 2015 (RM'000)
Total retained profits of the Company and its subsidiaries:		
- Realised	236,372	231,137
- Unrealised	80,710	81,622
	317,082	312,759
Consolidation adjustments	(125,923)	(123,101)
TOTAL	191,159	189,658

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

	12 months ended 31 Dec 2016 (RM'000) (Unaudited)	12 months ended 31 Dec 2015 (RM'000) (Unaudited)
Profit from operations from the period is arrived at after charging:		
Amortisation of prepaid land and building lease payment	90	92
Depreciation on property, plant and equipment	3,347	3,988
Interest expenses	4,438	4,744
Loss on disposal of property, plant and equipment	168	1
Property, plant and equipment written off	136	259
And after credited:		
Proceeds from insurance claims	279	4,171
Interest income	161	166

16. Authorisation of issue

The interim financial statements were authorised for release by the Board in accordance with a resolution of the Directors on 22 Feb 2017.

By order of the Board

Lim Seck Wah
Company Secretary