

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

Notes to the interim financial statements for the period ended 31 March 2017

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 2016. 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 2016.

2. Significant Accounting Policies

The significant accounting policies adopted in preparing these interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2016, except for adoption of the following MFRSs and amendments to MFRSs during the current financial period:

Effective for financial periods beginning on or after 1 January 2017

Amendments to MFRS 107
Amendments to MFRS 112

Disclosures Initiatives
Recognition of Deferred Tax Assets for
Unrealised Losses

Annual Improvements to MFRSs 2014-2016 Cycle
(Amendments to MFRS 12)

The adoption of the above does not have a material impact on the financial statements of the Group in the period of initial application.

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2016 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 2017 31 Mar RM'000	Investment 2017 31 Mar RM'000	Elimination 2017 31 Mar RM'000	Total 2017 31 Mar RM'000
Revenue				
External revenue	35,995	85	-	,36,080
Inter-segment revenue	4,976	2,514	(7,490)	-
Total revenue	<u>40,971</u>	<u>2,599</u>	<u>(7,490)</u>	<u>36,080</u>
Results				
Interest income	64	-	-	64
Finance costs	(405)	(665)	-	(1,070)
Depreciation & amortization	(470)	(85)	(341)	(896)
Other non-cash expenses	(327)	-	-	(327)
Income tax expenses	-	(511)	(67)	(578)
Segmental (loss)/gain	<u>(635)</u>	<u>1,781</u>	<u>(128)</u>	<u>1,018</u>
Assets				
Additional to non-current assets other than deferred tax assets	2,150	-	-	2,150
Segment assets	<u>258,935</u>	<u>566,594</u>	<u>(473,466)</u>	<u>352,063</u>
Liabilities				
Segment liabilities	<u>82,308</u>	<u>56,770</u>	<u>(124,712)</u>	<u>14,366</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 31 March 2017, except for:

	31 March 2017 (RM'000)
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Sdn Bhd	34,493
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Pusat Membeli-belah Kamdar Sdn Bhd	337
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Pusat Membeli-belah Kamdar (Penang) Sdn Bhd	889
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Beauty Gallant Sdn Bhd	7,719
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Stores Sdn Bhd	18,170
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kamdar Holdings Sdn Bhd	16,491
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Kesar Sdn Bhd	24,848
- Corporate guarantee given by the Company to licensed bank for credit facilities granted to Mint Saga (M) Sdn Bhd	94
Total	<u><u>103,041</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 2017 are as follows:

	Sale of goods (RM'000)	Purchase of goods (RM'000)	Total (RM'000)
Current quarter:			
Aum Fabrics Pte Ltd (1)	80	-	80
SNS Textiles Sdn Bhd (2)	-	27	27
Total	<u>80</u>	<u>27</u>	<u>107</u>
Cumulative period:			
Aum Fabrics Pte Ltd (1)	80	-	80
SNS Textiles Sdn Bhd (2)	-	27	27
Total	<u><u>80</u></u>	<u><u>27</u></u>	<u><u>107</u></u>

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

Note (2) 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 March 2017 are as follows:

	31 Mar 2017 RM'000	31 Mar 2016 RM'000
Authorised and contracted for:-		
- Property, plant and equipment	<u>2,991</u>	<u>3,086</u>

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

1. Review of Performance

	3 months ended 31 Mar 2017 RM'000 (unaudited)	3 months ended 31 Mar 2016 RM'000 (unaudited)
Revenue	36,080	37,753
Profit before tax	<u>590</u>	<u>2,910</u>

The Group's revenue for the year to date ended 31 Mar 2017 decreased by 4.42% to RM36.08 million as compared to RM37.75 million which was recorded in the previous year's financial period ended 31 Mar 2016. Profit before taxation of RM0.59 million was 79.73% lower as compared to RM2.91 million in the previous year's financial period mainly due to lower profit margin and lower revenue.

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

	Individual Quarter 3 months ended 31 Mar 2017 RM'000 (Unaudited)	Preceding Quarter 3 months ended 31 Dec 2016 RM'000 (Unaudited)
Revenue	36,080	41,213
Profit before tax	<u>590</u>	<u>1,093</u>

For the current quarter, the Group's revenue decreased by 12.45% to RM36.08 million as compared to RM41.21 million in the previous quarter ended 31 Dec 2016. The profit before tax of RM0.59 million was lower than the previous quarter of RM1.09 million mainly due to the lower profit margin and lower revenue.

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 Mar 2017 (RM'000)	3 months ended 31 Mar 2016 (RM'000)	Year to date ended 31 Mar 2017 (RM'000)	Year to date ended 31 Mar 2016 (RM'000)
Current taxation – Malaysia				
- Current financial period	511	1,084	511	1,084
Total deferred tax	67	-	67	-
Total	578	1,084	578	1,084

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 2017

9. Borrowings

As at 31 Mar 2017, the total borrowings of KGMB Group were as follows:

	As at 31 Mar 2017 (RM'000)	As at 31 Dec 2016 (RM'000)
Secured:		
Short term	65,239	64,039
Long term	53,668	49,276
Total	118,907	113,315

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

	As at 31 Mar 2017 (RM'000)	As at 31 Dec 2016 (RM'000)
United States Dollar	14,614	17,949
Ringgit Malaysia	104,293	95,366
Total	118,907	113,315

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.

On 21 April 2017, Kamdar Sdn Bhd, a wholly owned subsidiary of Kamdar Group (M) Berhad was served with writ of Summons and Statement of Claim dated 12 April 2017 by Mohamad Hafiz bin Hamidun claiming for misuse of the Plaintiff’s name without authorization. Kamdar disputes the claim and will defend the action.

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 2017 (RM'000)	3 months ended 31 Mar 2016 (RM'000)
Profit after tax	12	1,826
Number of Ordinary shares in issue	197,990	197,990
Basic earnings per share (sen)	0.01	0.92
Diluted earnings per share (sen)	N/A	N/A

14. Disclosure of Realised and Unrealised Profits

	As at 31 Mar 2017 (RM'000)	As at 31 Dec 2016 (RM'000)
Total retained profits of the Company and its subsidiaries:		
- Realised	233,472	233,332
- Unrealised	83,361	83,361
	316,833	316,693
Consolidation adjustments	(125,513)	(125,385)
TOTAL	191,320	191,308

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

	3 months ended 31 Mar 2017 (RM'000) (Unaudited)	3 months ended 31 Mar 2016 (RM'000) (Unaudited)
Profit from operations from the period is arrived at after charging:		
Amortisation of prepaid land and building lease payment	23	23
Depreciation on property, plant and equipment	873	745
Interest expenses	1,070	1,129
Property, plant and equipment written off	351	12
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And after credited:		
Proceeds from insurance claims	4	14
Interest income	64	57
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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 31 May 2017.

By order of the Board

Lim Seck Wah
Company Secretary