

**KOMARKCORP BERHAD  
AND ITS SUBSIDIARIES**  
(Company No. 374265 - A)  
(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS  
FOR THE SECOND QUARTER ENDED 31 OCTOBER 2011**

**A1. Basis of preparation**

This interim financial report is unaudited and has been prepared in compliance with the Financial Reporting Standard (“FRS”) 134 – Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa”). This interim financial report should be read in conjunction with the audited financial statements of the group for the financial year ended 30 April 2011.

**A2. Changes in Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 30 April 2011 except for the adoption of the following new/revised FRS which the group adopted to the extent of their applicability from financial year beginning on 1 January 2010:

FRS 7 and amendments	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statement (revised)
FRS 123 and amendments	Borrowing Costs (revised)
FRS 139 and amendments	Financial Instruments: Recognition And Measurement
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards
Amendments to FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 132	Financial Instruments: Presentation

The adoption of the above did not have any significant effects on the Group’s results upon their initial application, other than as discussed below:

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**FRS 7 Financial Instruments: Disclosures**

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosures and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's financial statements for the period ended 31 October 2011.

**FRS 8, Operating Segments**

Upon the adoption of FRS 8, the Group's segmental reporting had been presented based on that used for internal reporting to the chief operating decision maker who makes decisions on the allocation of resources and assesses the performance of the reportable segments.

**FRS 101 (revised), Presentation of Financial Statement**

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the statement of changes in equity only includes details of transactions with owners. All non-owner changes in equity, if any, will be presented as a single line label as total comprehensive income. In addition, the balance sheet was renamed as the statement of financial position in the financial statements. This Standard did not have any impact on the financial position and results of the Group.

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**FRS 139, Financial Instruments: Recognition And Measurement**

FRS 139: Financial Instruments: Recognition and Measurement, and Amendments to FRS 139: Financial Instruments: Recognition and Measurement

The new Standard on FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items (collectively called financial instruments).

A financial instrument is recognised in the financial statements only when the Group became a party to the contractual provisions of the instrument. A financial instrument is recognised initially, at its fair value. Subsequent measurement of the financial instruments at the end of the period reflects the designation of the financial instruments.

**Financial Assets**

Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest (“EIR”) method. Gains and losses arising from the derecognition of the loans and receivables, EIR amortisation and impairment losses are recognised in the statement of comprehensive income.

**Financial Liabilities**

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit and loss.

Under the transitional provision of FRS 139, the above changes are applied prospectively and the comparatives as at 31 October 2010 are not restated.

This Standard did not have any significant impact on the financial position and results of the Group.

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The Group and the Company have chosen not to early adopt the following FRSs and IC Interpretations (“ICs”) which are not yet effective but are relevant to the Group and the Company:

<u>FRS</u>		<u>Effective for financial periods beginning on or after</u>
FRS 1	First-time Adoption of Financial Reporting Standard	1 July 2010
FRS 3	Business Combinations	1 July 2010
Amendments to FRS5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 127	Consolidated and Separate Financial Statements	1 July 2010
IC Interpretation 17	Distribution of Non-cash Assets to Owners	1 July 2010
Amendment to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 3	Business Combinations	1 January 2011
Amendments to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 132	Financial Instruments: Presentation	1 January 2011
FRS 124	Related Party Disclosures	1 January 2012

Except for the new disclosures required under the Amendments to FRS 7, the adoption of the other FRSs and ICs above will have no material impact on the financial statements of the Group and of the Company upon their initial application.

**A3. Audit Report**

The Group’s audited report for the financial year ended 30 April 2011 was not qualified.

**A4. Seasonal or Cyclicity of Interim Operations**

The business operations of the Group were not materially affected by any seasonal or cyclical factors.

**A5. Exceptional / Extraordinary Items**

There were no exceptional or extraordinary items for the current financial period.

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**A6. Changes in Estimates**

There were no changes in estimates of the amounts reported in prior financial years that have a materials effect in the current quarter.

**A7. Debts and Equity Securities**

There were no issuance or repayment of debt and equity securities, share buy-back, share cancellation and resale of treasury shares for the current financial period to date.

As at 31 October 2011, the number of treasury shares held was 1,537,000 ordinary shares at total cost at RM 437,012.41.

**A8. Dividend Paid**

No dividend was paid during the quarter ended 31 October 2011.

**A9. Segmental Information**

**Business Segments (31<sup>st</sup> October 2011)**

	Manufacturing Of Self Adhesive Stickers and Trading Of Related Products RM '000	Manufacturing of Automatic Labels and Labelling Machineries RM '000	Elimination RM '000	Consolidated RM'000
Revenue from				
External Customers	61,121	290	--	61,411
Inter-segment revenue	--	821	(821)	--
Total Revenue	<u>61,121</u>	<u>1,111</u>	<u>(821)</u>	<u>61,411</u>
Segment Results	4,572	229	--	4,801
Unallocated Expenses				(1,538)
Interest Income				35
Finance Costs				(2,373)
Share of loss of associate				<u>--</u>
Profit before Taxation				925
Income Tax Expenses				<u>(124)</u>
Net Profit for the Period				<u>801</u>

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**Business Segments (31<sup>st</sup> October 2010) - Restated**

	Manufacturing Of Self Adhesive Stickers and Trading Of Related Products	Manufacturing of Automatic Labels and Labelling Machineries	Elimination	Consolidated
	RM '000	RM '000	RM '000	RM'000
Revenue from				
External Customers	54,875	323	--	55,198
Inter-segment revenue	--	1,041	(1,041)	--
Total Revenue	<u>54,875</u>	<u>1,364</u>	<u>(1,041)</u>	<u>55,198</u>
Segment Results	4,710	205	--	4,915
Unallocated Expenses				(1,185)
Interest Income				56
Finance Costs				(2,512)
Share of loss of associate				--
Profit before Taxation				<u>1,274</u>
Income Tax Expenses				<u>(119)</u>
Net Profit for the Period				<u>1,155</u>

**A10. Property, Plant And Equipment**

During the period, the Group does not revalue any of its landed properties.

**A11. Material Events Subsequent to the Interim Period**

There was no material events subsequent to the quarter ended 31 October 2011.

**A12. Changes in the Composition of the Group**

There were no changes in the composition of the group.

**A13. Change in Contingent Liabilities or Contingent Assets**

As at 31 October 2011, the group has given a guarantee of RM 117 million to banks and financial institutions for its subsidiaries' banking facilities.

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**ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA LISTING  
REQUIREMENTS**

**B1. Review of Performance**

The Group recorded revenue of RM 31.557 million for the current quarter as compared to RM 25.360 million for the corresponding quarter last year, an increase of RM 6.197 million or 24.4%. This is due to the better performance of the Group's overseas subsidiaries.

The Group recorded a profit before taxation ("PBT") of RM 0.576 million for the current quarter as compared to PBT of RM 0.559 million for the corresponding quarter last year, an increase of RM 0.017 million. The increase in PBT is the results of the group's continuous effort to reduce its borrowing level and their associated finance costs.

**B2. Comparison with the Preceding Quarter's Results**

The Group recorded a revenue of RM 31.557 million as compared to RM 29.854 million for the preceding quarter, representing an increase of RM 1.703 million (5.70%).

However, the Group's PBT for the current quarter is RM 0.576 million as compared to PBT of RM 0.349 million for preceding quarter, an increase of RM 0.227 million. The increase is the results of the group's continuous effort to reduce its borrowing level and their associated finance costs as mentioned above.

**B3. Current Year Prospects**

The Group's operating environment is expected to remain challenging and competitive due to the uncertainty of the financial crisis in other parts of the world. The Board expects the performance of the Group to remain profitable by improving all aspects of its operations and management.

**B4. Variance of Actual Profit from Forecast**

The profit forecast or profit guarantee is not applicable for this announcement.

**B5. Taxation**

	<b>Current Quarter</b> <b><u>RM'000</u></b>
Income tax	
- Current expenses	57

=====  
The Group's tax charge for the period relates to the profits of certain subsidiary. This tax charge cannot be offset against losses or tax allowances of other subsidiaries for tax purposes.

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**B6. Profit /(Loss) on Sale of Unquoted Investments and/or Properties**

On 18 July 2011, Komark International (M) Sdn. Bhd., a wholly-owned subsidiary of the Company had entered into a sale and purchase agreement with Auravilla Project Sdn. Bhd. to dispose of a piece of freehold land of the subsidiary for a consideration of RM 8 million.

**B7. Quoted Investments**

The investment in quoted shares as at end of the reporting period is:-

	RM' 000
Quoted Shares, at cost	4
	===
Quoted Shares, at market value	3
	===

**B8. Status of Corporate Proposal**

This refers to the announcements dated 18 July 2011 and 19 July 2011, the disposal of a piece of freehold land for a consideration of RM 8 million by Komark International (M) Sdn. Bhd. ("KISB"), a wholly-owned subsidiary of the Company to Auravilla Project Sdn. Bhd ("APSB").

A deposit of RM 0.8 million has been received upon signing of the SPA. A further sum of RM 0.8 million together with its interest on late payment (discounted) has also been received on the expiration of the Extended Completion Date ("ECD date") on 18 December 2011.

The Purchaser ("APSB") has requested an additional extension period of 60 days from the expiration of the ECD date for the execution of loan documentation and for the disbursement of the loan sum. KISB has agreed to the request.

The removal of the existing fencing and set back eighteen (18) feet of the land to make up the required road access of sixty-six (66) feet is pending completion.

**B9. Group Borrowings and Debt Securities**

Group borrowings and debt securities as at the end of the reporting period are as follows:

	<u>P/E October'11</u> <u>RM'000</u>	<u>Y/E April'11</u> <u>RM'000</u>
<b><u>Short Term Borrowings</u></b>		
Revolving Credit - Secured	--	--
Bankers' Acceptance - Secured	12,010	15,334
- Unsecured	2,117	1,312



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Trust Receipts	- Secured	--	--
	- Unsecured	431	--
Term Loan	- Secured	1,996	3,604
	- Unsecured	5,135	--
Bank overdraft	- Secured	15,143	16,034
	- Unsecured	1,083	5,276
Short Term Loan	- Secured	--	--
	- Unsecured	10,693	10,797
Finance Lease and Hire Purchase Liabilities		<u>2,865</u>	<u>3,223</u>
		<b><u>51,473</u></b>	<b><u>55,580</u></b>

**Long Term Borrowings**

Term Loans	- Secured	3,264	11,427
	- Unsecured	5,263	1,043
Finance Lease and Hire Purchase Liabilities		<u>8,178</u>	<u>7,660</u>
		<b><u>16,705</u></b>	<b><u>20,130</u></b>

All borrowings are in Ringgit Malaysia except for USD 327,881, RMB 39,825,174, Thai Baht 55,676,652 and SGD 2,585 (equivalent of RM 25,774,047.12).

**B10. Financial Instruments with Off Balance Sheet Risks**

The Group does not have any material financial instruments with off balance sheet risk for the period ended 31 October 2011 and as at 19 December 2011.

**B11. Material Litigation**

There is no material litigation for the period ended 31 October 2011 and as at 19 December 2011.

**B12. Dividend Payable**

No dividend has been proposed by the Board of Directors for the period ended 31 October 2011.

**B13. Earnings Per Share (EPS)**

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders of the parent and the weighted average number of ordinary shares in issue during the period.

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	<u>Current Quarter</u>
Profit attributable to Shareholders	RM 519,629
Weighted Average Number of Ordinary Shares	79,738,010
Basic Earnings Per Share (Sen)	0.65

**B14. Disclosure of Realised and Unrealised Profit / (Losses)**

	<b>As at 31 October 2011 RM'000</b>	<b>As at 30 April 2011 RM'000</b>
Total Retained Profits : -		
i) Company and subsidiaries		
- Realised profit	26,860	25,716
- Unrealised loss	<u>(1,587)</u>	<u>(1,236)</u>
	<u>25,273</u>	<u>24,480</u>
ii) Associates		
- Realised Loss	(2)	(2)
- Unrealised profit	<u>-</u>	<u>-</u>
	<u>(2)</u>	<u>(2)</u>
Less : Consolidation Adjustments	(6,207)	(6,215)
<b>Total</b>	<b><u>19,064</u></b>	<b><u>18,263</u></b>