

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 2012**

A1. Basis of preparation

This interim financial report is unaudited and has been prepared in compliance with the Malaysian Financial Reporting Standards ("MFRS") 134 - Interim Financial Reporting Standards 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 2012.

A2. Changes in Accounting Policies

The Group has adopted the MFRS framework issued by the MASB with effect from 1 May 2012. This MFRS framework was introduced by the MASB in order to fully converge Malaysia's existing Financial Reporting Standards ("FRS") framework with the International Financial Reporting Standards ("IFRS") framework issued by the International Accounting Standards Board. Whilst all FRSs issued under the previous FRS framework were equivalent to the MFRSs issued under the MFRS framework, there are some differences in relation to the transitional provisions and effective dates contained in certain of the FRSs.

This 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 30 April 2013 and hence MFRS 1: First-Time Adoption of Malaysian Financial Reporting Standards (MFRS1) has been applied. The transition from FRS to MFRS has no material impact on the statement of financial position and statement of cash flows except as discussed below:

Foreign Currency Translation Reserve

In accordance to FRS, the Group recognized translation differences of foreign operations in a separate component of equity. Upon transition to MFRS, the cumulative foreign currency translation differences for all foreign operations are deemed to be zero as at the date of transition.

At the date of transition to MFRS, the cumulative foreign currency translation differences of RM2,218,000 (31 October 2011: RM2,218,000; 30 April 2012: RM2,218,000) were adjusted to retained earnings.

The reconciliation of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:

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Reconciliation of equity as at 1 May 2011

| | FRS as at | | MFRS as at |
|--------------------------------------|-------------------|--------------------|-------------------|
| RM'000 | 1 May 2011 | Adjustments | 1 May 2011 |
| Equity | | | |
| Foreign Currency Translation Reserve | 2,218 | (2,218) | - |
| Retained Earnings | 18,263 | 2,218 | 20,481 |

Reconciliation of equity as at 31 October 2011

| | FRS as at | | MFRS as at |
|--------------------------------------|--------------------|--------------------|--------------------|
| RM'000 | 31 Oct 2011 | Adjustments | 31 Oct 2011 |
| Equity | | | |
| Foreign Currency Translation Reserve | 4,019 | (2,218) | 1,801 |
| Retained Earnings | 19,064 | 2,218 | 21,282 |

Reconciliation of equity as at 30 April 2012

| | FRS as at | | MFRS as at |
|--------------------------------------|--------------------|--------------------|--------------------|
| RM'000 | 30 Apr 2012 | Adjustments | 30 Apr 2012 |
| Equity | | | |
| Foreign Currency Translation Reserve | 3,730 | (2,218) | 1,512 |
| Retained Earnings | 18,342 | 2,218 | 20,560 |

A3. Audit Report

The audit report for the financial statements of the Group for the financial year ended 30 April 2012 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.

A6. Changes in Estimates

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

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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 2012, the number of treasury shares held was 1,539,000 ordinary shares at total cost at RM437,679.62.

A8. Dividend Paid

No dividend was paid during the quarter ended 31 October 2012.

A9. Segmental Information

Business Segments (31st October 2012)

| | 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 | 67,063 | 286 | -- | 67,349 |
| Inter-segment revenue | -- | 495 | (495) | -- |
| Total Revenue | <u>67,063</u> | <u>781</u> | <u>(495)</u> | <u>67,349</u> |
| Profit | 3,921 | 117 | -- | 4,038 |
| Unallocated Expenses | | | | (795) |
| Interest Income | | | | 49 |
| Finance Costs | | | | (2,339) |
| Share of loss of associate | | | | <u>--</u> |
| Profit before Taxation | | | | 953 |
| Income Tax Expenses | | | | <u>(554)</u> |
| Net Profit for the Period | | | | <u>399</u> |

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Business Segments (31st 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> |
| Profit | 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> |

A10. Property, Plant And Equipment

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

A11. Material Events Subsequent to the Interim Period

There were no material events subsequent to the quarter ended 31 October 2012.

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 2012, the Company has given a guarantee of RM72 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 a profit before taxation of RM0.648 million for the current quarter as compared to a profit before taxation of RM0.576 million for the corresponding quarter last year.

The segmental performance is as follows:

Labels segment

For the period ended 31 October 2012, the labels revenue increased by 9.72% to RM67.063 million from RM61.121 million achieved in the corresponding period last year.

The labels segment recorded a profit of RM3.921 million for the period ended 31 October 2012 as compared to a profit of RM4.572 million for the corresponding period last year. The decline in performance was mainly due to increase in raw material prices.

Machineries segment

For the period ended 31 October 2012, the machineries revenue decreased by RM0.330 million to RM0.781 million from RM1.111 million achieved in the corresponding period of the last year.

The machineries segment recorded a profit of RM0.117 million for the period ended 31 October 2012 as compared to a profit of RM0.229 million for the corresponding period last year. The decrease in performance was mainly due to lower sales.

B2. Comparison with the Preceding Quarter's Results

The Group recorded a revenue of RM33.809 million as compared to RM33.540 million for the preceding quarter, representing an increase of RM0.269 million (0.80%).

The Group recorded profit before taxation of RM0.648 compared to profit before taxation of RM0.305 million for the preceding quarter. The improvement in performance was mainly due to higher sales and lower operating cost.

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B3. Current Year Prospects

The financial year of 2013 is expected to be challenging for the Group due to the uncertainty in the world economy. The Board expects the business of the Group to remain profitable by improving all aspects of its operations and management; especially on the material usage efficiency.

B4. Profit Forecast or Profit Guarantee

The Group did not announce or disclose any profit forecast or profit guarantee in a public document.

B5. Board of Directors Statement on Internal Targets

The Group did not announce or disclose any profit estimates, forecast, projections or internal management targets in a public document.

B6. Taxation

| | Current Quarter |
|--------------------|------------------------|
| | <u>RM'000</u> |
| Income tax | |
| - Current expenses | 382 |
| | ===== |

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.

B7. Status of Corporate Proposal

There were no corporate proposals announced from the date of last quarter report to the date of this announcement.

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B8. Group Borrowings and Debt Securities

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

| | <u>Period Ended</u> | <u>Year Ended</u> |
|---|----------------------|----------------------|
| | <u>Oct'12</u> | <u>Apr'12</u> |
| | <u>RM'000</u> | <u>RM'000</u> |
| <u>Short Term Borrowings</u> | | |
| Bankers' Acceptance - Secured | 11,735 | 12,185 |
| - Unsecured | 1,249 | 1,117 |
| Term Loan - Secured | 2,209 | 3,024 |
| - Unsecured | -- | -- |
| Bank overdraft - Secured | 12,261 | 12,756 |
| - Unsecured | 6,085 | 7,287 |
| Short Term Loan - Secured | -- | 1,990 |
| - Unsecured | 19,590 | 11,039 |
| Finance Lease and Hire Purchase Liabilities | <u>3,847</u> | <u>3,471</u> |
| | <u>56,976</u> | <u>52,869</u> |
| <u>Long Term Borrowings</u> | | |
| Term Loans - Secured | 5,145 | 7,117 |
| - Unsecured | -- | 452 |
| Finance Lease and Hire Purchase Liabilities | <u>4,912</u> | <u>5,581</u> |
| | <u>10,057</u> | <u>13,150</u> |

All borrowings are in Ringgit Malaysia except for RMB 50,736,481 and Thai Baht 57,008,650 (equivalent of RM 30,472,466).

B9. Material Litigation

There is no material litigation for the period ended 31 October 2012 and as at 24 December 2012 .

B10. Dividend Payable

No dividend has been proposed by the Board of Directors for the period ended 31 October 2012.

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B11. 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.

| | <u>Current Quarter</u> |
|--|----------------------------|
| Profit attributable to Shareholders (RM) | 266,217 |
| Weighted Average Number of Ordinary Shares | 79,736,010 |
| Basic Earnings Per Share (Sen) | 0.33 |

B12. Disclosure of Realised and Unrealised Profit / (Losses)

| | As at 31 Oct 2012 RM'000 | As at 31 Oct 2011 RM'000 |
|----------------------------------|---|---|
| Total Retained Profits : - | | |
| i) Company and subsidiaries | | |
| - Realised profit | 28,820 | 29,078 |
| - Unrealised loss | <u>(1,400)</u> | <u>(1,587)</u> |
| | <u>27,420</u> | <u>27,491</u> |
| ii) Associate | | |
| - Realised Loss | (2) | (2) |
| - Unrealised profit | <u>-</u> | <u>-</u> |
| | <u>(2)</u> | <u>(2)</u> |
| Less : Consolidation Adjustments | (6,459) | (6,207) |
| Total | <u>20,959</u> | <u>21,282</u> |

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B13. Notes For Comprehensive Income

| | <u>Period Ended</u> <u>Oct'12</u> <u>RM'000</u> | <u>Period Ended</u> <u>Oct'11</u> <u>RM'000</u> |
|--|---|---|
| a) Interest income | 49 | 35 |
| b) Other income including investment income | 512 | 187 |
| c) Interest expense | 2,339 | 2,373 |
| d) Depreciation and amortization | 5,957 | 5,793 |
| e) Provision for and write off of receivables | 52 | -- |
| f) Provision for and write off of inventories | 25 | -- |
| g) Gain/ (loss) on disposal of quoted or unquoted investments or properties | 205 | -- |
| h) (Impairment)/ Reversal of impairment of assets | -- | -- |
| i) Foreign exchange gain/ (loss) | (6) | 66 |
| j) Gain/ (loss) on derivatives | -- | -- |
| k) Exceptional items | -- | -- |