

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

**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD QUARTER ENDED 31 JAN 2017**

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 2016.

These explanatory notes, attached to the interim financial report, provide an explanation of the events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 30 April 2016.

A2. Changes in Accounting Policies

The accounting policies and methods of computations used in the preparation of the financial statements are consistent with those adopted in the audited financial statements for the year ended 30 April 2016.

The Group has not early adopted new or revised standards and amendments to standards that have been issued but not yet effective for the accounting period beginning 1 May 2016.

The initial application of the MFRSs, Amendments to MFRSs and IC Interpretations, which will be applied prospectively or which requires extended disclosures, is not expected to have any significant financial impact to the financial statements of the Group upon their first adoption.

A3. Audit Report

The audit report for the financial statements of the Group for the financial year ended 30 April 2016 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 quarter.

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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.

A7. Debts and Equity Securities

As at 31 Jan 2017, the issued and paid up ordinary share capital of the company was RM31,158,462 and a total of 37,914,172 Warrants outstanding. The movements during the financial period were as follows:-

Issued and Paid up Share Capital

	Ordinary shares of RM0.25 each	RM
As at 1 May 2016	124,633,848	31,158,462
Warrants exercised	--	--
As at 31 Jan 2017	124,633,848	31,158,462

5 year Warrants 2015/2020 ("Warrants")

	Warrants
As at 1 May 2016	37,914,172
Exercised	--
As at 31 Jan 2017/ Date of announcement	<u>37,914,172</u>

During the current quarter, the Company has purchased 4,381,000 of its own ordinary shares from the open market for a total cash consideration of RM 1,374,508.32 including transaction cost and this was financed by internally generated funds.

As at 31 January 2017, the number of treasury shares held was 4,381,000 ordinary shares at total cost of RM 1,374,508.32.

A8. Dividend Paid

No dividend was paid during the current quarter.

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A9. Segmental Information

Geographical Segment (Period ended 31st Jan 2017)

	<u>Continuing Operations</u>	<u>Discontinued Operations</u>	<u>Total</u>
	Asean	China	Total
	RM'000	RM'000	RM'000
REVENUE			
External&Internal Sales	53,020	16,602	69,622
Inter-segment Sales	(4,436)	(271)	(4,707)
Total Revenue	<u>48,584</u>	<u>16,331</u>	<u>64,915</u>
RESULTS			
Segment Results	(3,796)	(3,795)	(7,591)
Unallocated expenses	(795)	--	(795)
Interest Income	183	2	185
Finance Cost	(764)	(442)	(1,206)
Profit/(Loss) before Tax	(5,172)	(4,235)	(9,407)
Income Tax Expenses	(1,422)	(171)	(1,593)
Net Profit/(Loss) for the period	<u>(6,594)</u>	<u>(4,406)</u>	<u>(11,000)</u>

Geographical Segment (Period ended 31st Jan 2016)

	<u>Continuing Operations</u>	<u>Discontinued Operations</u>	<u>Total</u>
	Asean	China	Total
	RM'000	RM'000	RM'000
REVENUE			
External&Internal Sales	49,424	79,868	129,292
Inter-segment Sales	(4,239)	(1,574)	(5,813)
Total Revenue	<u>45,185</u>	<u>78,294</u>	<u>123,479</u>
RESULTS			
Segment Results	1,939	5,013	6,952
Unallocated expenses	(544)	--	(544)
Interest Income	39	18	57
Finance Cost	(1,174)	(1,807)	(2,981)
Profit/(Loss) before Tax	260	3,224	3,484
Income Tax Expenses	(985)	322	(663)
Net Profit/(Loss) for the period	<u>(725)</u>	<u>3,546</u>	<u>2,821</u>

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A10. Property, Plant And Equipment

The revaluation of land and buildings have been brought forward, without any amendment to the previous annual financial statement.

A11. Material Events Subsequent to the Interim Period

There were no material events subsequent to the quarter ended 31 Jan 2017.

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 Jan 2017 , the Company has given a guarantee of RM11 million to banks and financial institutions for its subsidiaries' banking facilities.

A14. Discontinued Operations/ Assets held for sale

Profit/ (Loss) attributable to the discontinued operations were as follows:-

	Period of 3 months RM'000	Period of 9 months RM'000
Revenue	16,331	78,294
Cost of sales	<u>(14,061)</u>	<u>(61,967)</u>
Gross Profit	2,270	16,327
Other income	185	370
Employee benefits expenses	(1,817)	(6,093)
Depreciation and amortization expenses	(30)	(90)
Other operating expenses	(4,401)	(5,483)
Finance costs	<u>(442)</u>	<u>(1,807)</u>
Profit/ (Loss) before tax	(4,235)	3,224
Income tax expenses	<u>(171)</u>	<u>322</u>
Profit/ (Loss) after tax	<u>(4,406)</u>	<u>3,546</u>

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The assets and liabilities of the discontinued operations are as follows:

	As at July' 16 RM'000	As at Apr' 16 RM'000
Assets classified as held for sale are:		
Property, plant and equipment	--	58,778
Prepaid lease payments on land	--	5,805
Inventories	--	9,858
Trade and other receivables	--	20,357
Tax recoverable	--	700
Cash and bank balances	<u>--</u>	<u>3,528</u>
	<u>--</u>	<u>99,026</u>
Liabilities directly associated with assets classified as held for sale:		
Trade and other payables	--	(20,961)
Borrowings	--	<u>(25,463)</u>
	<u>--</u>	<u>(46,424)</u>

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

B1. Review of Performance

The segmental performance analysis is as follows:

I) Analysis of Current Quarter Performance

	Current Quarter Ended 31 Jan'17	Preceding Year Corresponding Quarter 31 Jan'16	Variance	
	RM'000	RM'000	RM'000	%
Revenue				
- Continuing Operations	15,071	14,351	720	5.0
- Discontinued Operations	<u>--</u>	<u>27,058</u>	(27,058)	(100.0)
	<u>15,071</u>	<u>41,409</u>		
Profit / (Loss) before tax				
- Continuing Operations	(718)	215	(933)	(433.9)
- Discontinued Operations	<u>--</u>	<u>(189)</u>	(189)	(100.0)
	<u>(718)</u>	<u>26</u>		

For the quarter ended 31 Jan 2017, the revenue of continuing operations had increased by 5% compared to the revenue of the corresponding quarter of last year.

A loss before tax of RM0.718 million of continuing operations had been recorded for the current quarter as compared to a profit before tax of RM0.215 million for the corresponding quarter last year. The loss before tax was due to higher manufacturing cost.

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II) Analysis of Nine Months Performance

	Period Ended 31 Jan'17	Corresponding Period Ended 31 Jan'16	Variance	
	RM'000	RM'000	RM'000	%
Revenue				
- Continuing Operations	48,584	45,185	3,399	7.5
- Discontinued Operations	<u>16,331</u>	<u>78,294</u>	(61,963)	(79.1)
	<u>64,915</u>	<u>123,479</u>		
Profit / (Loss) before tax				
- Continuing Operations	(5,172)*	260	(5,432)	(2,089.2)
- Discontinued Operations	<u>(4,235)</u>	<u>3,224</u>	(7,459)	(231.4)
	<u>(9,407)</u>	<u>3,484</u>		

For the period ended 31 Jan 2017, the revenue of continuing operations had increased by 7.5% as compared to the revenue of last year's corresponding period.

A loss before tax of RM5.172 million of continuing operations had been recorded in the period ended 31 Jan 2017 as compared to a profit before tax of RM0.260 million last year. This losses increment was mainly due to losses of disposal of China operations.

*Without this disposal loss of RM5.800 million, the Group recorded profit before taxation of RM0.628 million for the period ended 31 Jan 2017 compared to RM0.260 million last year.

B2. Comparison with the Preceding Quarter's Results

The continuing operations of the Group recorded a revenue of RM15.071 million as compared to RM15.310 million for the preceding quarter, representing a decrease of RM0.239 million (-1.56%); loss before taxation of RM0.718 million compared to loss before taxation of RM2.138 million for the preceding quarter. The higher losses in the preceding quarter was mainly attributed to the disposal loss of China operations.

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B3. Current Year Prospects

The Group's gearing is improving where the Group's borrowings are continuing to pay down and the acquisition of machineries is in the pipeline. The Group is cautiously optimistic about the outlook for the remainder of financial year ending 2017; amidst the uncertainty in the global economy as well as the severe competitive conditions.

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

Continuing Operations

Income tax

- Current tax expenses
- Deferred tax

Current Quarter
RM'000

508

170

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B7. Status of Corporate Proposal

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

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Status of utilisation of disposal of China operations proceeds as at the date of announcement

Purposes	Proposed utilisation	Actual utilisation	Balance	Time frame for utilisation
Repayment of bank borrowings	21,438	13,688	7,750	Within twelve months from completion
Working capital	12,323	12,323	--	Within twelve months from completion
Purchase of new machineries	10,000	5,847	4,153	Within twenty four months from completion
Proposed special interim dividend	3,739	3,739	--	Within twelve months from completion
Estimated expenses in relation to the Proposed Disposal	500	500	--	Within three months from completion
	48,000	36,097	11,903	

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>Jan'17</u> <u>RM'000</u>	<u>Period Ended</u> <u>Apr'16</u> <u>RM'000</u>
<u>Short Term Borrowings</u>		
Bankers' Acceptance - Secured	2,178	2,991
- Unsecured	596	618
Term Loan - Secured	252	807
Bank overdraft - Unsecured	--	5,798
Finance Lease and Hire Purchase Liabilities	<u>577</u>	<u>1,168</u>
	<u>3,603</u>	<u>11,382</u>
<u>Long Term Borrowings</u>		
Term Loans - Secured	6,013	6,216
Finance Lease and Hire Purchase Liabilities	<u>597</u>	<u>720</u>
	<u>6,610</u>	<u>6,936</u>

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The breakdown of borrowings in currency as follows:

	<u>Period Ended</u> <u>Jan'17</u> <u>RM'000</u>	<u>Period Ended</u> <u>Apr'16</u> <u>RM'000</u>
RM	9,294	16,202
THB	761	1,911
SGD	<u>158</u>	<u>205</u>
	<u>10,213</u>	<u>18,318</u>

B9. Material Litigation

There is no material litigation for the period ended 31 Jan 2017 and as at 29 Mar 2017.

B10. Dividend Payable

A first interim (single-tier) dividend of 2 sen per ordinary share (Q1 2015: 0 sen per ordinary share) in respect of the financial year ending 30 April 2017 and a special dividend (single-tier) of 3 sen per ordinary share in respect of the disposal by Komark of its entire equity interest in Komark Investment Holdings Limited, a wholly-owned subsidiary company; was paid on 2 November 2016.

No dividend has been proposed for the quarter ended 31 Jan 2017.

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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/ (Loss) attributable to Shareholders (RM)	
-Continuing Operations	(1,395,858)
-Discontinued Operations	--
Weighted Average Number of Ordinary Shares	122,443,348
Basic Earnings/ (Loss) Per Share (Sen)	
-Continuing Operations	(1.14)
-Discontinued Operations	--
Weighted Average Number of Ordinary Shares (Diluted)	160,357,520
Diluted Earnings/ (Loss) Per Share (Sen)	
-Continuing Operations	(0.87)
-Discontinued Operations	--

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

	As at 31 Jan 2017 RM'000	As at 31 Jan 2016 RM'000
Total Retained Profit/ (Loss) : -		
i) Company and subsidiaries		
- Realised profit/ (loss)	2,016	(2,824)
- Unrealised profit/ (loss)	<u>(727)</u>	<u>(485)</u>
	<u>1,289</u>	<u>(3,309)</u>
ii) Associate		
- Realised profit/ (loss)	(2)	(2)
- Unrealised profit/ (loss)	<u>-</u>	<u>-</u>
	<u>(2)</u>	<u>(2)</u>
Less : Consolidation Adjustments	(6,508)	(3,054)
Total	<u>(5,221)</u>	<u>(6,365)</u>

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B13. Notes For Statement of Comprehensive Income

	<u>Period Ended</u> <u>Jan'17</u> <u>RM'000</u>	<u>Period Ended</u> <u>Jan'16</u> <u>RM'000</u>
<u>Continuing Operations</u>		
a) Interest income	183	39
b) Other income including investment income	520	460
c) Interest expense	764	1,174
d) Depreciation and amortization	3,824	3,814
e) Provision for and writing off of receivables	(50)	(44)
f) Provision for and writing off of inventories	(32)	25
g) Foreign exchange gain/ (loss)	607	624
h) Gain/ (Loss) on disposal of Investment in subsidiaries	(5,800)	--
	<u>Period Ended</u> <u>Jan'17</u> <u>RM'000</u>	<u>Period Ended</u> <u>Jan'16</u> <u>RM'000</u>
<u>Discontinued Operations</u>		
a) Interest income	2	18
b) Other income including investment income	266	245
c) Interest expense	442	1,807
d) Depreciation and amortization	1,486	4,821
e) Provision for and writing off of receivables	2,717	89
f) Provision for and writing off of inventories		(336)
f) Impairment of R&D Expenditure	--	282
g) Foreign exchange gain/ (loss)	(83)	107