

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

**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FORTH QUARTER ENDED 30 APRIL 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 30 April 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 30 April 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 30 April 2017/ Date of announcement	<u>37,914,172</u>

As at 30 April 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 (Year ended 30th April 2017)

	<u>Continuing Operations</u>	<u>Discontinued Operations</u>	<u>Total</u>
	Asean RM'000	China RM'000	Total RM'000
REVENUE			
External&Internal Sales	69,124	16,602	85,726
Inter-segment Sales	<u>(5,959)</u>	<u>(271)</u>	<u>(6,230)</u>
Total Revenue	<u>63,165</u>	<u>16,331</u>	<u>79,496</u>
RESULTS			
Segment Results	(10,173)	(3,795)	(13,968)
Unallocated expenses	(968)	--	(968)
Interest Income	446	2	448
Finance Cost	<u>(939)</u>	<u>(442)</u>	<u>(1,381)</u>
Profit/(Loss) before Tax	(11,634)	(4,235)	(15,869)
Income Tax Expenses	<u>(2,059)</u>	<u>(171)</u>	<u>(2,230)</u>
Net Profit/(Loss) for the period	<u>(13,693)</u>	<u>(4,406)</u>	<u>(18,099)</u>

Geographical Segment (Year ended 30th April 2016)

	<u>Continuing Operations</u>	<u>Discontinued Operations</u>	<u>Total</u>
	Asean RM'000	China RM'000	Total RM'000
REVENUE			
External&Internal Sales	67,079	96,049	163,128
Inter-segment Sales	<u>(5,505)</u>	<u>(2,222)</u>	<u>(7,727)</u>
Total Revenue	<u>61,574</u>	<u>93,827</u>	<u>155,401</u>
RESULTS			
Segment Results	5,543	3,462	9,005
Unallocated expenses	(2,771)	--	(2,771)
Interest Income	46	21	67
Finance Cost	<u>(1,475)</u>	<u>(2,165)</u>	<u>(3,640)</u>
Profit/(Loss) before Tax	1,343	1,318	2,661
Income Tax Expenses	<u>(972)</u>	<u>224</u>	<u>(748)</u>
Net Profit/(Loss) for the period	<u>371</u>	<u>1,542</u>	<u>1,913</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 year ended 30 April 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 30 April 2017, the Company has given a guarantee of RM10 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 ended 31/7/16 RM'000	Year Ended 30/4/16 RM'000
Revenue	16,331	93,827
Cost of sales	<u>(14,061)</u>	<u>(76,054)</u>
Gross Profit	2,270	17,773
Other income	185	661
Employee benefits expenses	(1,817)	(8,158)
Depreciation and amortization expenses	(30)	(246)
Other operating expenses	(4,401)	(6,547)
Finance costs	<u>(442)</u>	<u>(2,165)</u>
Profit/ (Loss) before tax	(4,235)	1,318
Income tax expenses	<u>(171)</u>	<u>224</u>
Profit/ (Loss) after tax	<u>(4,406)</u>	<u>1,542</u>

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

	As at July'16 RM'000	As at April'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:

D) Analysis of Current Quarter Performance

	Current Quarter Ended 30 April'17	Preceding Year Corresponding Quarter 30 April'16	Variance	
	RM'000	RM'000	RM'000	%
Revenue				
- Continuing Operations	14,581	16,389	(1,808)	(11.0)
- Discontinued Operations	<u> --</u>	<u>15,533</u>	(15,533)	(100.0)
	<u>14,581</u>	<u>31,922</u>		
 Profit / (Loss) before tax				
- Continuing Operations	(6,462)	1,083	(7,545)	(696.7)
- Discontinued Operations	<u> --</u>	<u>(1,906)</u>	(1,906)	(100.0)
	<u>(6,462)</u>	<u>(823)</u>		

For the quarter ended 30 April 2017, the revenue of continuing operations had decreased by 11% compared to the revenue of the corresponding quarter of last year.

A loss before tax of RM6.462 million of continuing operations had been recorded for the current quarter as compared to a profit before tax of RM1.083 million for the corresponding quarter last year. The loss before tax was mainly due to lower revenue and writing off mould & die cut that amounting to RM4.4million.

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II) Analysis of Twelve Months Performance

	Year Ended 30 April'17	Corresponding Year Ended 30 April'16	Variance	
	RM'000	RM'000	RM'000	%
Revenue				
- Continuing Operations	63,165	61,574	1,591	2.6
- Discontinued Operations	<u>16,331</u>	<u>93,827</u>	(77,496)	(82.6)
	<u>79,496</u>	<u>155,401</u>		
 Profit / (Loss) before tax				
- Continuing Operations	(11,634)	1,343	(12,977)	(966.3)
- Discontinued Operations	<u>(4,235)</u>	<u>1,318</u>	(5,553)	(421.3)
	<u>(15,869)</u>	<u>2,661</u>		

For the period ended 30 April 2017, the revenue of continuing operations had increased by 2.6% as compared to the revenue of last year's corresponding period.

A loss before tax of RM11.634 million of continuing operations had been recorded in the period ended 30 April 2017 as compared to a profit before tax of RM1.343 million last year. This loss was mainly due to disposal losses of China operations of RM5.8million and writing off of mould & die cut of RM4.4million.

B2. Comparison with the Preceding Quarter's Results

The continuing operations of the Group recorded a revenue of RM14.581 million as compared to RM15.071 million for the preceding quarter, representing a decrease of RM0.490 million (-3.25%); loss before taxation of RM6.462 million compared to loss before taxation of RM0.718 million for the preceding quarter. The higher losses recorded in this quarter was mainly attributed to writing off of mould & die cut.

B3. Current Year Prospects

The Group is cautiously optimistic about the outlook for the forthcoming financial year ending 30 April 2018; amidst the uncertainty in the global economy as well as the severe competitive conditions.

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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

<u>Continuing Operations</u>	<u>Current Quarter</u> <u>RM'000</u>	<u>Year to date</u> <u>RM'000</u>
Income tax		
- Current tax expenses	218	1,131
- Deferred tax	419	928
	=====	=====

B7. Status of Corporate Proposal

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

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	15,944	5,494	Within twelve months from completion
Working capital	12,323	12,323	--	Within twelve months from completion
Purchase of new machineries	10,000	5,861	4,139	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	38,367	9,633	

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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>Year Ended</u> <u>April'17</u> <u>RM'000</u>	<u>Year Ended</u> <u>April'16</u> <u>RM'000</u>
<u>Short Term Borrowings</u>		
Bankers' Acceptance - Secured	1,829	2,991
- Unsecured	429	618
Term Loan - Secured	254	807
Bank overdraft - Unsecured	--	5,798
Finance Lease and Hire Purchase Liabilities	<u>567</u>	<u>1,168</u>
	<u>3,079</u>	<u>11,382</u>
<u>Long Term Borrowings</u>		
Term Loans - Secured	5,951	6,216
Finance Lease and Hire Purchase Liabilities	<u>457</u>	<u>720</u>
	<u>6,408</u>	<u>6,936</u>

The breakdown of borrowings in currency as follows:

	<u>Year Ended</u> <u>April'17</u> <u>RM'000</u>	<u>Year Ended</u> <u>April'16</u> <u>RM'000</u>
RM	8,688	16,202
THB	657	1,911
SGD	<u>142</u>	<u>205</u>
	<u>9,487</u>	<u>18,318</u>

B9. Material Litigation

There is no material litigation for the period ended 30 April 2017 and as at the date of announcement.

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 30 April 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	(7,098,976)
-Discontinued Operations	--
Weighted Average Number of Ordinary Shares	122,443,348
Basic Earnings/ (Loss) Per Share (Sen)	
-Continuing Operations	(5.80)
-Discontinued Operations	--
Weighted Average Number of Ordinary Shares (Diluted)	160,357,520
Diluted Earnings/ (Loss) Per Share (Sen)	
-Continuing Operations	(4.43)
-Discontinued Operations	--

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

	As at 30 April 2017 RM'000	As at 30 April 2016 RM'000
Total Retained Profit/ (Loss) : -		
i) Company and subsidiaries		
- Realised profit/ (loss)	(1,977)	(5,077)
- Unrealised profit/ (loss)	<u>(1,144)</u>	<u>(906)</u>
	<u>(3,121)</u>	<u>(5,983)</u>
ii) Associate		
- Realised profit/ (loss)	(2)	(2)
- Unrealised profit/ (loss)	<u>-</u>	<u>-</u>
	<u>(2)</u>	<u>(2)</u>
Less : Consolidation Adjustments	(9,197)	(1,262)
Total	<u>(12,320)</u>	<u>(7,247)</u>

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B13. Notes For Statement of Comprehensive Income

	<u>Year Ended</u> <u>April'17</u> <u>RM'000</u>	<u>Year Ended</u> <u>April'16</u> <u>RM'000</u>
<u>Continuing Operations</u>		
a) Interest income	447	46
b) Other income including investment income	932	460
c) Interest expense	939	1,475
d) Depreciation and amortization	4,956	5,038
e) Provision for and writing off of receivables	(927)	(53)
f) Provision for and writing off of inventories	22	185
g) Foreign exchange gain/ (loss)	613	2,839
h) Gain/ (Loss) on disposal of Investment in subsidiaries	(5,800)	--
i) Writing off of mould & die cut	4,419	--
	<u>Year Ended</u> <u>April'17</u> <u>RM'000</u>	<u>Year Ended</u> <u>April'16</u> <u>RM'000</u>
<u>Discontinued Operations</u>		
a) Interest income	2	21
b) Other income including investment income	266	489
c) Interest expense	442	2,165
d) Depreciation and amortization	1,486	6,303
e) Provision for and writing off of receivables	2,717	(24)
f) Provision for and writing off of inventories	--	(396)
g) Foreign exchange gain/ (loss)	(83)	127

