

**SUMMARY OF KEY MATTERS DISCUSSED AT THE
23RD ANNUAL GENERAL MEETING**

VENUE : **PARAMESWARA 1, PHILEA MINES BEACH
RESORT, JALAN DULANG, MINES RESORT CITY,
43300 SERI KEMBANGAN, SELANGOR**

DATE : **WEDNESDAY, 9 OCTOBER 2019**

TIME : **2.30 P.M.**

CHAIRMAN

The Chairman of the Board of Directors (the “Board”), Koh Hong Muan @ Koh Gak Siong presided as Chairman of the Meeting and welcomed all shareholders, proxies and guests to the Twenty-Third Annual General Meeting of the Company.

QUORUM

Ms Tai Yuen Ling, the Company Secretary, confirmed that a quorum was present and the Chairman called the Meeting to order at 2.30 p.m. The Chairman then proceeded to introduce himself, the Company Secretary and the Members of the Board to the shareholders.

At the invitation of the Chairman, Mr Chong Jiun Shyang (“Mr Chong”), the Chief Financial Officer of the Company, gave an overview on the financial performance of the Company for the Financial Year Ended (“FYE”) 30 April 2019 which includes Revenue, Profit/Loss after tax and market capitalisation.

The Chairman informed that the Company had received a letter from the Minority Shareholder Watchdog Group (“MSWG”) seeking clarification/information on several issues in relation to the financial, business strategic and corporate governance matters.

Mr Chong responded to the question raised from MSWG, details as set out in “**Appendix A**” attached herein.

KOMARKCORP BERHAD

(Registration No. 199601001919 (374265-A))

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NOTICE

With the consent of the members present, the Notice convening the Meeting having been circulated for the prescribed period was taken as read.

As part of good governance, the Chairman informed that the Company had received in total Twenty-Nine (29) proxy forms for a total of 66,230,247 ordinary shares, representing 36.00% of the total number of share capital of the Company.

Out of those, there were Two (2) shareholders who have appointed the Chairman of the Meeting as proxy to vote on their behalf and the shares so represented are 13,489,400 representing 7.33% of the share capital of the Company.

POLLING

The Chairman declared that in accordance with Para 8.29A of the Main Market Listing Requirements of Bursa Malaysia, all the resolutions set out in the Notice of the Meeting will be voted on by poll. The Chairman, in his capacity as Chairman of the Meeting, demanded for a poll to be taken on all resolutions set out in the Notice convening the Meeting, pursuant to the Company's Constitution.

The Company had appointed Boardroom Share Registrars Sdn Bhd (formerly known as Symphony Share Registrars Sdn Bhd), the Company's Share Registrar as Poll Administrator to facilitate the poll process and GovernAce Advisory & Solutions Sdn Bhd as the Independent Scrutineer to verify the poll results.

The Chairman informed that the polling process would be conducted after the deliberation of all items on the Agenda.

QUESTION AND ANSWER SESSION

The Chairman invited questions from the floor and the following issues were duly responded: -

- The Company's plan for its operations to enter into an electronic market to achieve greater margin.

Komarkcorp's response:-

The Company is operating in industry label market which relate to fast-moving household products. The Company does not plan to enter the electronics market as the market is difficult to penetrate.

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- The Company's plan for new Product Development.

Komarkcorp's response:

The Group plans to capitalize in new machineries and expand its product line into self-adhesive flexible packaging. For example, Tomypack, Scientex and Daibochi are the flexible packaging solutions provider.

- The Company's plan to grow in overseas market in order to achieve greater margin.

Komarkcorp's response:

The Group has recently exported its products to overseas market such as India and Sri Lanka. However, due to strong local market presence and imposition of import tariffs in overseas market, the Group has difficulty in competing with local market as the consumers prefer to purchase their own domestic product.

- To explain the elements in "Operating Income" and "Other Operating Expenses" as set out in the Statements of Profit or Loss of the Audited Financial Statements.

Komarkcorp's response (by Mr Chong):

The Operating Income of RM2.65 million included a reversal of impairment losses amounting to RM1.3 million and the annual rebate from suppliers of RM0.439 million. In respect of Operating Expenses of RM 17.1 million , it comprised Administrative Expenses of RM7.4 million.

- To explain the Gratuity of Directors' Remuneration as set out in Note 23 of the Audited Financial Statements.

Komarkcorp's response:

The gratuity payment referred to the contract between the Chairman and the Company, the calculation of which is based on an accrual basis on every financial year for a period of 5 years. The actual payment of gratuity will be paid to the Chairman after the expiry of the contract.

- To explain the Bonus as set out in Note 23 of the Audited Financial Statements.

Komarkcorp's response (by Mr Chong):

The bonus payment was distributed to the employees of branches based on the profitability of the respective branch for motivation purposes.

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- The causes for the revenue to drop during the 1st Quarter 2020.

Komarkcorp's response:

The decrease in revenue for the 1st Quarter 2020 was mainly due to the loss of customers as a result of the price adjustment. Notwithstanding the impact on the revenue, the profit of the Group had shown improvement.

- To extend the exercise period and adjust the prices for the expiring warrants.

Komarkcorp's response:

The exercise period and prices for the warrants were unable to modify.

- To explain how to assure the involvement in open tender system.

Komarkcorp's response:

The Group has been exploring the new open tender system. The Group has been invited to participate in the open tender system of two petroleum companies by the end of year 2019. The Group plans to acquire some shares by the end of year 2019.

- To explain the impairment loss of amount due by associate and inventories written off as set out in Statements of Cash Flows in the Audited Financial Statements.

Komarkcorp's response (by Mr Chong):

The impairment loss was mainly due to an associate in Thailand, Komark Enterprise. The inventories written off mainly came from the write off of die-cutting and film in Komark (Thailand) Co. Ltd.

- The Company's plans to improve the cash flow.

Komarkcorp's response (by Mr Chong):

From August 2019 to October 2019, approximately 20 million of warrant conversions were carried out. The conversion of warrants had increased the cash flow of the Group by approximately RM 4 million. The Group will consider suitable corporate exercise to improve the cash flow, in future.

- To explain the breakdown of Directors' Fees and Benefits up to RM300,000.

Komarkcorp's response (by Mr Chong):

The Directors' Fees included RM132,000 for Independent Non-Executive Directors' Fees, RM50,000 for meeting allowances and RM2,000 for other allowances based on provision basis.

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After addressing the questions received, the Chairman deemed that the Audited Financial Statements of the Company for the financial year ended 30 April 2019 as tabled and received.

VOTING RESULTS

The following resolutions tabled at the 23rd Annual General Meeting of the Company were duly passed by the shareholders of the Company:-

Ordinary Resolution 1	VOTES FOR		VOTES AGAINST		RESULT
	No. of shares	%	No. of shares	%	
To approve the Directors' fees and benefit payable to the Directors of the Company of up to RM300,000 from 9 October 2019 until the conclusion of the next AGM of the Company.	66,599,962	99.967769	21,473	0.032231	Carried
Ordinary Resolution 2	VOTES FOR		VOTES AGAINST		RESULT
	No. of shares	%	No. of shares	%	
To re-elect Mr Koh Hong Muan @ Koh Gak Siong as Director.	40,462,169	100.000000	0	0.000000	Carried
Ordinary Resolution 3	VOTES FOR		VOTES AGAINST		RESULT
	No. of shares	%	No. of shares	%	
To re-elect Ms. Tan Lay Ching as Director.	66,621,635	100.000000	0	0.000000	Carried
Ordinary Resolution 4	VOTES FOR		VOTES AGAINST		RESULT
	No. of shares	%	No. of shares	%	
To re-appoint Messrs. KC Chia & Noor as Auditors of the Company and to authorise the Directors to fix their remuneration.	66,621,635	100.000000	0	0.000000	Carried

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Ordinary Resolution 5	VOTES FOR		VOTES AGAINST		RESULT
	No. of shares	%	No. of shares	%	
Authority for Encik Ihsan Bin Ismail to continue in office as an Independent Non-Executive Director of the Company.	66,621,495	99.999850	100	0.000150	Carried
Ordinary Resolution 6	VOTES FOR		VOTES AGAINST		RESULT
	No. of shares	%	No. of shares	%	
Authority to Issue Share Pursuant to Section 76 of the Companies Act 2016.	66,612,858	99.987126	8,577	0.012874	Carried
Ordinary Resolution 7	VOTES FOR		VOTES AGAINST		RESULT
	No. of shares	%	No. of shares	%	
Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares.	66,610,835	99.983789	10,800	0.016211	Carried

CONCLUSION

There being no other business to be transacted, the Meeting concluded at 4.00 p.m. with a vote of thanks to the Chair.

KOMARKCORP BHD

TWENTY-THIRD AGM

KOMARKCORP BERHAD

REPLY TO MINORITY SHAREHOLDERS WATCH GROUP (MSWG)'S QUERIES

Financial/Strategic Matters

1) As reported in the Management Discussion and Analysis (MD&A) on page 5 of the Annual Report, the Group recorded a decrease of 16.2% in revenue to RM47.743 million compared to RM56.949 million recorded in FY2018. The drop in revenue was mainly due to customers opting to adopt the open tender system in the local front, prices adjustment for selective customers and localisation procurement policy in the overseas segments.

a) How does the Company ensure that it stays competitive in the open tender system adopted by the local customers?

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REPLY TO MINORITY SHAREHOLDERS

WATCH GROUP (MSWG)'S QUERIES

The Group has taken immediate actions to ensure that the Group remains competitive in the customers' open tender system:

- Recently, the Group has invested in new printing technologies. The new machineries have better efficiencies and less wastages with higher printing capacity. The Group intend to capitalize in the new machineries and expand its product line into flexible packaging.
- To lower profit margin expectation in order to achieve a larger quantity from the customers. This will improve our economic of scale, better position of negotiate material prices and lesser wastage.

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REPLY TO MINORITY SHAREHOLDERS

WATCH GROUP (MSWG)'S QUERIES

- To aggressively negotiate with the existing suppliers and source for new suppliers both locally and overseas. Since the Group's margin is being squeezed, the suppliers have been made know of this fact, hence, should reduce their prices in order to remain competitive.
- To introduce new and innovative products/process to the customers where higher margin is achievable during the tender.

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REPLY TO MINORITY SHAREHOLDERS

WATCH GROUP (MSWG)'S QUERIES

1b) With the price adjustment for some selective customers in FY2018, are more customers expected to request for price adjustment in FY2019? How will this impact the revenue for FY2019?

- Yes, some customers may ask for price adjustment as not all customers go for open tender system due to higher resources involved in the process. In FY2019, the Group has increased the selling price of our low margin customers. As a result, they have reduced their orders. The revenue contributed by them has decreased by RM5.1 million compared to the last financial year. The major customer has the intentions to go for open tender in the end of 2019 and the Group was being invited.

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REPLY TO MINORITY SHAREHOLDERS
WATCH GROUP (MSWG)'S QUERIES

The Group is optimistic that its performance and results will be improved in FYE2020, with the action plans in place.

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REPLY TO MINORITY SHAREHOLDERS

WATCH GROUP (MSWG)'S QUERIES

1c) In which countries are the localisation procurement policy implemented? What is the percentage of the revenue lost due to the policy?

Countries like India, Pakistan, Sri Lanka, Philippines and Vietnam have their own localised procurement policy implemented due to their advancements. Since 2015, the Group's sales to these countries reduced substantially because of their advancements.

The percentage of the revenue lost due to the policy in FY 2019 was approximately 11.16%.

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REPLY TO MINORITY SHAREHOLDERS

WATCH GROUP (MSWG)'S QUERIES

2) As reported on page 6 of the Annual Report, the drops in revenue from Thailand and Malaysia were due to the loss of customers.

a) What are the reasons for losing the customers in Thailand and Malaysia?

In 2018, the Management took steps to improve the profit margins of some customers in Thailand and Malaysia. The management made several visits to the customers explaining the reasons for price adjustments in order to reflect the actual ordering patterns and expectations. Unfortunately, some customers did not accept the price adjustments and decided to source from other suppliers. In addition, the overseas localization procurement policy has also impacted the revenue in Malaysia.

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REPLY TO MINORITY SHAREHOLDERS

WATCH GROUP (MSWVG)'S QUERIES

- 2b) Does the Company expect to regain any of these customers?

Yes, the major customer has the intentions to go for open tender in the end of 2019 and the Group was being invited

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REPLY TO MINORITY SHAREHOLDERS WATCH GROUP (MSWG)'S QUERIES

3) The accident record for the last 5 years, on page 10 of the Annual Report shows that there are accident incidents in Thailand operations every year with 4 incidents (highest) in FY2019.

a) What are the man-days lost from the accidents in Thailand in FY2019?

The total man-days lost as a result of these accidents was 18 days.

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REPLY TO MINORITY SHAREHOLDERS WATCH GROUP (MSWG)'S QUERIES

- 3b) What are the measures taken or to be taken to minimise the accidents, particularly in Thailand?

Measures take to mitigate the accidents are: to provide more on the job training to new operators and enforce the safety policies. Each accident has to be reported to OSHA to work out a proper action plan to prevent it from happening again.

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REPLY TO MINORITY SHAREHOLDERS

WATCH GROUP (MSWG)'S QUERIES

4) Note 19 to the Financial Statements on borrowings shows a loan from a credit company amounting to RM1.5 million as at 30 April 2019 (Page 91 of the Annual Report). The interest rate for the loan is comparatively high at 18% and the interest cost in respect of the loan was RM105,000 for FY2019 (Page 94 of the Annual Report).

- What is the reason for the Company to obtain a loan from a credit company at a high rate of 18%p.a. instead of from banks which offer lower interest rate?

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REPLY TO MINORITY SHAREHOLDERS

WATCH GROUP (MSWG)'S QUERIES

The Group did approach a few local banks but with no positive response because of past few years performance. As a result, the Group had no other alternative but to obtain a loan from a credit company. However, the Group intends to repay in short term.

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REPLY TO MINORITY SHAREHOLDERS

WATCH GROUP (MSWG)'S QUERIES

5) Impairment of investment in subsidiaries and amount due from subsidiaries was highlighted as key audit matters in the Independent Auditors' Report (Page 49 of the Annual Report). This is due to continued losses and depleting shareholders' funds reported by some subsidiaries. An accumulated impairment loss of RM28.722 million was recognized (page 81 of the Annual Report).

a) To which subsidiaries do the impairment loss of RM28.722 million relate to?

The Company has recognized impairment loss on investment in General Labels & Labelling (M) Sdn Bhd and General Labels & Labelling (S) Pte Ltd to the extent of the difference between the Company's share in the net assets of these subsidiaries and the cost of investment.

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REPLY TO MINORITY SHAREHOLDERS

WATCH GROUP (MSWG)'S QUERIES

- 5b) Do any of the financial guarantees disclosed in Note 30 to the Financial Statements (page 102 of the Annual Report) relate to banking facilities granted to these subsidiaries?

The Company had issued financial guarantees in favor of the hire purchasers of General Labels & Labelling (M) Sdn Bhd, amounting to RM0.403 million.

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REPLY TO MINORITY SHAREHOLDERS

WATCH GROUP (MSWG)'S QUERIES

Corporate Governance Matters

- 1) As stated on page 5 of the Corporate Governance Report, the company does not apply Practice 1.3 of the Malaysian Code of Corporate Governance (MCCG) as the Chairman of the Board has taken the role of the CEO in operating the businesses of the Group.
- Given that the role of the Chairman has significant influence over the Board decision on business operations, including the remuneration of the key management of the Company and the CEO, on the other hand, is the key personnel involves in the operations of the company, having the same person for both position may cause some form of conflict of interest and affect the integrity of the Board.

KOMARKCORP BERHAD

REPLY TO MINORITY SHAREHOLDERS WATCH GROUP (MSWG)'S QUERIES

- Does the Board plan to address this issue?
- The question on Chairman and CEO being the same person is a temporary arrangement for the present. As soon as the Nomination Committee has identified a suitable candidate for the position of CEO and recommended to the Board for approval, the Chairman will relinquish the position of CEO. Please also mindful of the majority of current Board members are Independent Director (60%) that have not affected the integrity of the Board.

KOMARKCORP BERHAD

REPLY TO MINORITY SHAREHOLDERS

WATCH GROUP (MSWG)'S QUERIES

- 2) We have accessed the Company's website on 30 September 2019 and note that the Board Charter is not accessible in the website.
- It was a technical issue and the Board Charter has been uploaded on 7 October 2019.

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THE END
THANK YOU