

**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 APR 2016**

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 2015.

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 2015.

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 2015.

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 2015.

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 2015 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

As at 30 Apr 2016, 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 2015	122,613,848	30,653,462
Warrants exercised	2,020,000	505,000
As at 30 Apr 2016	124,633,848	31,158,462

5 year Warrants 2015/2020 (“Warrants”)

As at 1 May 2015	Warrants 39,934,172
Exercised	<u>(2,020,000)</u>
As at 30 Apr 2016/ Date of announcement	<u>37,914,172</u>

A8. Dividend Paid

No dividend was paid during the current quarter.

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A9. Segmental Information

Geographical Segment (30 Apr 2016)

	Asean RM'000	China RM'000	Elimination RM'000	Consolidation RM'000
REVENUE				
External Sales	61,565	93,822	--	155,387
Inter-segment Sales	<u>5,504</u>	<u>2,222</u>	<u>(7,726)</u>	--
Total Revenue	<u>67,069</u>	<u>96,044</u>	<u>(7,726)</u>	<u>155,387</u>
RESULTS				
Segment Results	6,615	3,482	(970)	9,127
Unallocated expenses				(2,763)
Interest Income				63
Finance Cost				<u>(3,725)</u>
Profit before Taxation				2,702
Income Tax Expenses				<u>(729)</u>
Net Profit for the period				<u>1,974</u>

Geographical Segment (30 Apr 2015)

	Asean RM'000	China RM'000	Elimination RM'000	Consolidation RM'000
REVENUE				
External Sales	56,490	82,943	--	139,433
Inter-segment Sales	<u>5,360</u>	<u>1,353</u>	<u>(6,713)</u>	--
Total Revenue	<u>61,850</u>	<u>84,296</u>	<u>(6,713)</u>	<u>139,433</u>
RESULTS				
Segment Results	4,188	(6,345)	(3,102)	(5,259)
Unallocated expenses				(1,154)
Interest Income				93
Finance Cost				<u>(4,799)</u>
Loss before Taxation				(11,119)
Income Tax Expenses				<u>(1,662)</u>
Net Loss for the period				<u>(12,781)</u>

A10. Property, Plant And Equipment

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

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A11. Material Events Subsequent to the Interim Period

There were no material events subsequent to the quarter ended 30 Apr 2016.

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 Apr 2016, the Company has given a guarantee of RM28 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 segmental performance analysis is as follows:

D) Analysis of Current Quarter Performance

	Current Quarter Ended 30 Apr'16	Preceding Year Corresponding Quarter 30 Apr'15	Variance	
	RM'000	RM'000	RM'000	%
Revenue				
- Asean	16,380	14,133	2,247	15.9
- China	<u>15,528</u>	<u>22,571</u>	(7,043)	(31.2)
	<u>31,908</u>	<u>36,704</u>		
Profit / (Loss) before tax				
- Asean	411	162	249	153.7
- China	<u>(1,735)</u>	<u>(12,083)</u>	10,348	85.6
	<u>(1,324)</u>	<u>(11,921)</u>		

For the quarter ended 30 Apr 2016, the revenue of Asean and China segments had increased by 15.9% and decreased by 31.2% respectively compared to the revenue of the corresponding quarter of last year.

A loss before tax of RM1.324 million had been recorded for the current quarter as compared to a loss before tax of RM11.921 million for the corresponding quarter last year. The reduction on loss before tax was due to the higher provision for slow moving inventories, provision for doubtful debts, written off obsolete inventories and development cost recorded in the preceding year.

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II) Analysis of Twelve Months Performance

	Period Ended 30 Apr'16	Corresponding Period Ended 30 Apr'15	Variance	
	RM'000	RM'000	RM'000	%
Revenue				
- Asean	61,565	56,490	5,075	9.0
- China	<u>93,822</u>	<u>82,943</u>	10,879	13.1
	<u>155,387</u>	<u>139,433</u>		
Profit / (Loss) before tax				
- Asean	1,963	(542)	2,505	462.2
- China	<u>739</u>	<u>(10,577)</u>	11,316	107.0
	<u>2,702</u>	<u>(11,119)</u>		

For the period ended 30 Apr 2016, the revenue of Asean and China segments had increased by 9% and 13.1% respectively as compared to the revenue of last year's corresponding period.

A profit before tax of RM2.702 million had been recorded in the period ended 30 Apr 2016 as compared to a loss before tax of RM11.119 million last year. This was due to higher revenue, weakening of Malaysia Ringgit, lesser provision for slow moving inventories and doubtful debts and written off obsolete inventories.

B2. Comparison with the Preceding Quarter's Results

The Group recorded a revenue of RM31.908 million as compared to RM41.409 million for the preceding quarter, representing a decrease of RM9.501 million (22.9%); and a loss before taxation of RM1.324 million as compared to profit before taxation of RM0.218 million for the preceding quarter. The substantial decrease in revenue was due to losing of a major customer in China. While, the decrease in profit before tax was mainly due to lower revenue.

B3. Current Year Prospects

The outlook of the Group remains challenging for the forthcoming financial year ending 30 April 2017 amid the uncertainty of the global economy and the 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.

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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/ (Reverse overprovision)	(476)
	=====

B7. Status of Corporate Proposal

There were no corporate proposals announce from the date of last quarterly report to the date of this announcement except for the following:

On 28 April 2016, RHB Investment Bank Berhad (“RHBIB”) had, on behalf of the Board, announced that Komark had on 28 April 2016 entered into a conditional share purchase agreement for the proposed disposal by Komark of its entire equity interest in Komark Investment Holdings Limited, a wholly-owned subsidiary company of Komark, including its wholly-owned subsidiary companies, namely Shanghai Komark Labels & Labelling Co., Ltd., and Guangzhou Komark Labels & Labelling Co., Ltd., to Lagora HK Limited for an indicative disposal consideration of RM48,000,000 to be satisfied entirely via cash (“Proposed Disposal”).

Further, on 16 May 2016, RHBIB had, on behalf of the Board, announced that the Board had on 16 May 2016 resolved to vary the proposed utilisation of proceeds arising from the Proposed Disposal to include a proposed special interim dividend to the shareholders of Komark. Subject to the completion of the Proposed Disposal, the entitled shareholders of Komark shall be entitled for a cash dividend of RM0.03 per Komark Share held on an entitlement date to be determined later via a proposed special interim dividend.

Further details on the Proposed Disposal will be set out in a Circular to shareholders to be issued in due course. The Proposed Disposal is subject to shareholders’ approval at an extraordinary general meeting of the Company to be convened.

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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>Apr'16</u> <u>RM'000</u>	<u>Year Ended</u> <u>Apr'15</u> <u>RM'000</u>
<u>Short Term Borrowings</u>		
Bankers' Acceptance - Secured	2,991	4,680
- Unsecured	471	2,324
Term Loan - Secured	828	1,551
- Unsecured	--	--
Bank overdraft - Secured	5,218	5,781
- Unsecured	580	--
Trust receipts - Secured	--	--
- Unsecured	147	--
Short Term Loan - Secured	--	--
- Unsecured	23,062	25,460
Finance Lease and Hire Purchase Liabilities	<u>2,792</u>	<u>3,578</u>
	<u>36,089</u>	<u>43,374</u>
<u>Long Term Borrowings</u>		
Term Loans - Secured	6,195	8,348
- Unsecured	--	--
Finance Lease and Hire Purchase Liabilities	<u>1,498</u>	<u>2,605</u>
	<u>7,693</u>	<u>10,953</u>

The borrowings' currency breakdown as per follows:

	<u>Year Ended</u> <u>Apr'16</u> <u>RM'000</u>	<u>Year Ended</u> <u>Apr'15</u> <u>RM'000</u>
RM	16,203	19,468
RMB	25,463	29,155
THB	1,911	5,176
USD	--	270
SGD	<u>205</u>	<u>258</u>
	<u>43,782</u>	<u>54,327</u>

B9. Material Litigation

There is no material litigation for the period ended 30 Apr 2016 and as at 30 June 2016.

B10. Dividend Payable

No dividend has been proposed for the period ended 30 Apr 2016.

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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)	(847,580)
Weighted Average Number of Ordinary Shares	124,633,848
Basic Earnings/ (Loss) Per Share (Sen)	(0.68)
Weighted Average Number of Ordinary Shares (Diluted)	162,548,020
Diluted Earnings/(Loss) Per Share (Sen)	(0.52)

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

	As at 30 Apr 2016 RM'000	As at 30 Apr 2015 RM'000
Total Retained Profit/ (Loss) : -		
i) Company and subsidiaries		
- Realised profit/ (loss)	(5,002)	(9,274)
- Unrealised profit/ (loss)	<u>(508)</u>	<u>1,641</u>
	<u>(5,510)</u>	<u>(7,633)</u>
ii) Associate		
- Realised profit/ (loss)	(2)	(2)
- Unrealised profit/ (loss)	<u>-</u>	<u>-</u>
	<u>(2)</u>	<u>(2)</u>
Less : Consolidation Adjustments	(1,700)	(1,871)
Total	<u>(7,212)</u>	<u>(9,506)</u>

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B13. Notes For Statement of Comprehensive Income

	<u>Period Ended</u> <u>Apr'16</u> <u>RM'000</u>	<u>Period Ended</u> <u>Apr'15</u> <u>RM'000</u>
a) Interest income	63	93
b) Other income including investment income	1,077	6,857
c) Interest expense	3,725	4,799
d) Depreciation and amortization	11,342	10,538
e) Provision for and writing off of receivables	106	(874)
f) Provision for and writing off of inventories	(208)	7,900
g) Impairment of R&D Expenditure	279	--
h) Impairment of Assets	--	52
i) Foreign exchange gain/ (loss)	2,660	2,677