

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

**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 JULY 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 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 financial period.

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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 July 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 2016	124,633,848	31,158,462
Warrants exercised	--	--
As at 31 July 2016	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 July 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 (31st July 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	19,486	16,602	36,088
Inter-segment Sales	<u>(1,283)</u>	<u>(271)</u>	<u>(1,554)</u>
Total Revenue	<u>18,203</u>	<u>16,331</u>	<u>34,534</u>
RESULTS			
Segment Results	(1,799)	(3,795)	(5,594)
Unallocated expenses	(185)	--	(185)
Interest Income	8	2	10
Finance Cost	<u>(340)</u>	<u>(442)</u>	<u>(782)</u>
Profit/(Loss) before Tax	(2,316)	(4,235)	(6,551)
Income Tax Expenses	<u>(545)</u>	<u>(171)</u>	<u>(716)</u>
Net Profit/(Loss) for the period	<u>(2,861)</u>	<u>(4,406)</u>	<u>(7,267)</u>

Geographical Segment (31st July 2015)

	<u>Continuing Operations</u>	<u>Discontinued Operations</u>	<u>Total</u>
	Asean	China	Total
	RM'000	RM'000	RM'000
REVENUE			
External&Internal Sales	17,205	24,830	42,035
Inter-segment Sales	<u>(1,589)</u>	<u>(512)</u>	<u>(2,101)</u>
Total Revenue	<u>15,616</u>	<u>24,318</u>	<u>39,934</u>
RESULTS			
Segment Results	647	2,176	2,823
Unallocated expenses	(253)	--	(253)
Interest Income	21	4	25
Finance Cost	<u>(398)</u>	<u>(493)</u>	<u>(891)</u>
Profit/(Loss) before Tax	17	1,687	1,704
Income Tax Expenses	<u>(123)</u>	<u>(298)</u>	<u>(421)</u>
Net Profit/(Loss) for the period	<u>(106)</u>	<u>1,389</u>	<u>1,283</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 July 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 31 July 2016, the Company has given a guarantee of RM28 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 July'16 RM'000	Period Ended July'15 RM'000
Revenue	16,331	24,318
Cost of sales	<u>(14,061)</u>	<u>(18,226)</u>
Gross Profit	2,270	6,092
Other income	185	11
Employee benefits expenses	(1,817)	(1,897)
Depreciation and amortization expenses	(30)	(28)
Other operating expenses	(4,401)	(1,849)
Finance costs	<u>(442)</u>	<u>(493)</u>
Profit/ (Loss) before tax	(4,235)	1,836
Income tax expenses	<u>(171)</u>	<u>(447)</u>
Profit/ (Loss) after tax	<u>(4,406)</u>	<u>1,389</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	58,842	58,778
Prepaid lease payments on land	5,874	5,805
Inventories	9,575	9,858
Trade and other receivables	14,098	20,357
Tax recoverable	667	700
Cash and bank balances	<u>4,567</u>	<u>3,528</u>
	<u>93,623</u>	<u>99,026</u>
Liabilities directly associated with assets classified as held for sale:		
Trade and other payables	(19,181)	(20,961)
Borrowings	<u>(25,736)</u>	<u>(25,463)</u>
	<u>(44,917)</u>	<u>(46,424)</u>

*The disposal of the discontinued operations has been assumed completed on 31/7/2016.

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

B1. Review of Performance

The labels revenue increased by 16.57% to RM18.203 million from RM15.616 million achieved in the corresponding quarter of the last year.

The Group recorded a loss before taxation of RM2.316 million for the current quarter as compared to a profit before taxation of RM0.017 million for the corresponding quarter last year.

The loss before taxation was mainly due to the disposal loss of its entire equity interest in Komark Investment Holdings Limited. Without this disposal loss of RM4.702 million, the Group recorded profit before taxation of RM2.386 million for the current quarter as compared to a profit before taxation of RM0.017 million for the corresponding quarter last year. This was due to higher revenue recorded in Thailand operation units and the strength of the currency for the countries where our subsidiaries operate.

B2. Comparison with the Preceding Quarter's Results

The Group recorded a revenue of RM18.203 million as compared to RM16.389 million for the preceding quarter, representing an increase of RM1.814 million (11.07%); loss before taxation of RM2.316 million compared to profit before taxation of RM1.083 million for the preceding quarter. The poor performance was mainly due to the disposal loss of its entire equity interest in Komark Investment Holdings Limited that recorded in this current quarter.

B3. Current Year Prospects

The Group is cautiously optimistic on the positive outlook for the financial year ended 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.

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.

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B6. Taxation

<u>Continuing Operations</u>	<u>Current Quarter</u> <u>RM'000</u>
Income tax	
- Current expenses	375
- Deferred tax	170
	<u><u> </u></u>

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.

The Proposed Disposal had been approved by the shareholders on 18 July 2016 and completed on 6 September 2016.

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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>July'16</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	2,912	2,991
- Unsecured	820	618
Term Loan - Secured	471	807
- Unsecured	--	--
Bank overdraft - Secured	--	--
- Unsecured	6,177	5,798
Trust receipts - Secured	--	--
- Unsecured	--	--
Short Term Loan - Secured	--	--
- Unsecured	--	--
Finance Lease and Hire Purchase Liabilities	<u>992</u>	<u>1,168</u>
	<u>11,372</u>	<u>11,382</u>
<u>Long Term Borrowings</u>		
Term Loans - Secured	6,136	6,216
- Unsecured	--	--
Finance Lease and Hire Purchase Liabilities	<u>622</u>	<u>720</u>
	<u>6,758</u>	<u>6,936</u>

The borrowings' currency breakdown as per follows:

	<u>Period Ended</u> <u>July'16</u> <u>RM'000</u>	<u>Period Ended</u> <u>Apr'16</u> <u>RM'000</u>
RM	16,298	16,202
RMB	--	--
THB	1,638	1,911
USD	--	--
SGD	<u>194</u>	<u>205</u>
	<u>18,130</u>	<u>18,318</u>

B9. Material Litigation

There is no material litigation for the period ended 31 July 2016 and as at 29 Sept 2016.

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B10. Dividend Payable

The Board of Directors has declared 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 proposed disposal by Komark of its entire equity interest in Komark Investment Holdings Limited, a wholly-owned subsidiary company; which will be paid on 2 November 2016. The entitlement date has been fixed on 19 October 2016.

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	(2,861,517)
-Discontinued Operations	(4,405,647)
Weighted Average Number of Ordinary Shares	124,633,848
Basic Earnings/ (Loss) Per Share (Sen)	
-Continuing Operations	(2.30)
-Discontinued Operations	(3.54)
Weighted Average Number of Ordinary Shares (Diluted)	162,548,020
Diluted Earnings/ (Loss) Per Share (Sen)	
-Continuing Operations	(1.76)
-Discontinued Operations	(2.71)

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

	As at 31 July 2016 RM'000	As at 31 July 2015 RM'000
Total Retained Profit/ (Loss) : -		
i) Company and subsidiaries		
- Realised profit/ (loss)	5,816	(4,998)
- Unrealised profit/ (loss)	<u>(627)</u>	<u>(670)</u>
	<u>5,189</u>	<u>(5,668)</u>
ii) Associate		
- Realised profit/ (loss)	(2)	(2)
- Unrealised profit/ (loss)	<u>-</u>	<u>-</u>
	<u>(2)</u>	<u>(2)</u>
Less : Consolidation Adjustments	(6,675)	(2,553)
Total	<u>(1,488)</u>	<u>(8,223)</u>

B13. Notes For Statement of Comprehensive Income

	<u>Period Ended July'16 RM'000</u>	<u>Period Ended July'15 RM'000</u>
<u>Continuing Operations</u>		
a) Interest income	8	21
b) Other income including investment income	120	119
c) Interest expense	340	398
d) Depreciation and amortization	1,308	1,263
e) Provision for and writing off of receivables	(52)	50
f) Provision for and writing off of inventories	2	(39)
g) Foreign exchange gain/ (loss)	226	(38)
h) Gain/ (Loss) on disposal of Investment in subsidiaries	(4,702)	--

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<u>Discontinued Operations</u>	<u>RM'000</u>	<u>RM'000</u>
a) Interest income	2	4
b) Other income including investment income	266	15
c) Interest expense	442	493
d) Depreciation and amortization	1,486	1,506
e) Provision for and writing off of receivables	2,717	--
f) Impairment of R&D Expenditure	--	251
g) Foreign exchange gain/ (loss)	(83)	(8)