

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

**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS  
FOR THE SECOND QUARTER ENDED 31 OCT 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 Oct 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<br>RM0.25 each | RM         |
|--------------------|-----------------------------------|------------|
| As at 1 May 2016   | 124,633,848                       | 31,158,462 |
| Warrants exercised | --                                | --         |
| As at 31 Oct 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 Oct 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 (Period ended 31<sup>st</sup> Oct 2016)**

|                                  | <u>Continuing Operations</u> | <u>Discontinued Operations</u> | <u>Total</u>    |
|----------------------------------|------------------------------|--------------------------------|-----------------|
|                                  | Asean<br>RM'000              | China<br>RM'000                | Total<br>RM'000 |
| <b>REVENUE</b>                   |                              |                                |                 |
| External&Internal Sales          | 36,565                       | 16,602                         | 53,167          |
| Inter-segment Sales              | <u>(3,052)</u>               | <u>(271)</u>                   | <u>(3,323)</u>  |
| Total Revenue                    | <u>33,513</u>                | <u>16,331</u>                  | <u>49,844</u>   |
| <b>RESULTS</b>                   |                              |                                |                 |
| Segment Results                  | (3,379)                      | (3,795)                        | (7,174)         |
| Unallocated expenses             | (613)                        | --                             | (613)           |
| Interest Income                  | 121                          | 2                              | 123             |
| Finance Cost                     | <u>(583)</u>                 | <u>(442)</u>                   | <u>(1,025)</u>  |
| Profit/(Loss) before Tax         | (4,454)                      | (4,235)                        | (8,689)         |
| Income Tax Expenses              | <u>(744)</u>                 | <u>(171)</u>                   | <u>(915)</u>    |
| Net Profit/(Loss) for the period | <u>(5,198)</u>               | <u>(4,406)</u>                 | <u>(9,604)</u>  |

**Geographical Segment (Period ended 31<sup>st</sup> Oct 2015)**

|                                  | <u>Continuing Operations</u> | <u>Discontinued Operations</u> | <u>Total</u>    |
|----------------------------------|------------------------------|--------------------------------|-----------------|
|                                  | Asean<br>RM'000              | China<br>RM'000                | Total<br>RM'000 |
| <b>REVENUE</b>                   |                              |                                |                 |
| External&Internal Sales          | 33,911                       | 52,292                         | 86,203          |
| Inter-segment Sales              | <u>(3,077)</u>               | <u>(1,056)</u>                 | <u>(4,133)</u>  |
| Total Revenue                    | <u>30,834</u>                | <u>51,236</u>                  | <u>82,070</u>   |
| <b>RESULTS</b>                   |                              |                                |                 |
| Segment Results                  | 1,101                        | 4,654                          | 5,755           |
| Unallocated expenses             | (296)                        | --                             | (296)           |
| Interest Income                  | 30                           | 11                             | 41              |
| Finance Cost                     | <u>(790)</u>                 | <u>(1,252)</u>                 | <u>(2,042)</u>  |
| Profit/(Loss) before Tax         | 45                           | 3,413                          | 3,458           |
| Income Tax Expenses              | <u>(282)</u>                 | <u>(594)</u>                   | <u>(876)</u>    |
| Net Profit/(Loss) for the period | <u>(237)</u>                 | <u>2,819</u>                   | <u>2,582</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 Oct 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 Oct 2016, the Company has given a guarantee of RM12 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<br>Oct' 16<br>RM'000 | Period Ended<br>Oct' 15<br>RM'000 |
|--|-----------------------------------|-----------------------------------|
| Revenue                                | 16,331                            | 51,236                            |
| Cost of sales                          | <u>(14,061)</u>                   | <u>(38,870)</u>                   |
| Gross Profit                           | 2,270                             | 12,366                            |
| Other income                           | 185                               | 125                               |
| Employee benefits expenses             | (1,817)                           | (4,001)                           |
| Depreciation and amortization expenses | (30)                              | (58)                              |
| Other operating expenses               | (4,401)                           | (3,767)                           |
| Finance costs                          | <u>(442)</u>                      | <u>(1,252)</u>                    |
| Profit/ (Loss) before tax              | (4,235)                           | 3,413                             |
| Income tax expenses                    | <u>(171)</u>                      | <u>(594)</u>                      |
| Profit/ (Loss) after tax               | <u>(4,406)</u>                    | <u>2,819</u>                      |

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

|  | As at<br>Oct'16<br>RM'000 | As at<br>Apr'16<br>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**

|                            | <b>Current<br/>Quarter Ended<br/>31 Oct'16</b> | <b>Preceding Year<br/>Corresponding<br/>Quarter<br/>31 Oct'15</b> | <b>Variance</b> |           |
|----------------------------|--|---|-----------------|-----------|
|                            | <b>RM'000</b>                                  | <b>RM'000</b>   | <b>RM'000</b>   | <b>%</b>  |
| Revenue                    |  |   |                 |           |
| - Continuing Operations    | 15,310   | 15,218  | 92              | 0.6       |
| - Discontinued Operations  | <u>--</u>                                      | <u>26,918</u>   | (26,918)        | (100.0)   |
|                            | <u>15,310</u>                                  | <u>42,136</u>   |                 |           |
| Profit / (Loss) before tax |  |   |                 |           |
| - Continuing Operations    | (2,138)  | 28  | (2,166)         | (7,735.7) |
| - Discontinued Operations  | <u>--</u>                                      | <u>1,726</u>  | (1,726)         | (100.0)   |
|                            | <u>(2,138)</u>                                 | <u>1,754</u>  |                 |           |

For the quarter ended 31 Oct 2016, the revenue of continuing operations had increased by 0.6% compared to the revenue of the corresponding quarter of last year.

A loss before tax of RM2.138 million had been recorded for the current quarter as compared to a profit before tax of RM0.028 million for the corresponding quarter last year. The increment on loss before tax was due to the loss of disposal of China operations and reduction of foreign exchange gain.

Without this disposal loss of RM1.098 million, the Group recorded loss before taxation of RM1.04 million for the current quarter.

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**II) Analysis of Six Months Performance**

|                            | Period Ended   | Corresponding | Variance |           |
|----------------------------|----------------|---------------|----------|-----------|
|                            | 31 Oct'16      | Period Ended  |          |           |
|                            | RM'000         | 31 Oct'15     | RM'000   | %         |
|                            |                | RM'000        |          |           |
| Revenue                    |                |               |          |           |
| - Continuing Operations    | 33,513         | 30,834        | 2,679    | 8.7       |
| - Discontinued Operations  | <u>16,331</u>  | <u>51,236</u> | (34,905) | (68.1)    |
|                            | <u>49,844</u>  | <u>82,070</u> |          |           |
| Profit / (Loss) before tax |                |               |          |           |
| - Continuing Operations    | (4,454)        | 45            | (4,499)  | (9,997.8) |
| - Discontinued Operations  | <u>(4,235)</u> | <u>3,413</u>  | (7,648)  | (224.1)   |
|                            | <u>(8,689)</u> | <u>3,458</u>  |          |           |

For the period ended 31 Oct 2016, the revenue of continuing operations had increased by 8.7% as compared to the revenue of last year's corresponding period.

A loss before tax of RM4.454 million had been recorded in the period ended 31 Oct 2016 as compared to a profit before tax of RM0.045 million last year. This losses increment was due to losses of disposal of China operations and reduction of foreign exchange gain.

Without this disposal loss of RM5.800 million, the Group recorded profit before taxation of RM1.346 million for the period ended 31 Oct 2016.

**B2. Comparison with the Preceding Quarter's Results**

The continuing operations of the Group recorded a revenue of RM15.310 million as compared to RM18.203 million for the preceding quarter, representing an decrease of RM2.893 million (-15.89%); loss before taxation of RM2.138 million compared to loss before taxation of RM2.316 million for the preceding quarter. The lower losses was mainly due to the higher disposal loss of China operations that recorded in the preceding 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 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><br><u>RM'000</u> |
|------------------------------|---|
| Income tax                   |   |
| - Current expenses           | 29                                      |
| - Deferred tax               | 170                                     |
|                              | =====                                   |

**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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Status of utilisation of proceeds

| Purposes  | Proposed utilisation | Actual utilisation | Balance | Time frame for utilisation                |
|---|----------------------|--------------------|---------|---|
| Repayment of bank borrowings                            | 21,438               | 10,298             | 11,140  | Within twelve months from completion      |
| Working capital   | 12,323               | 11,319             | 1,004   | Within twelve months from completion      |
| Purchase of new machineries                             | 10,000               | --                 | 10,000  | 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                  | 796                | (296)   | Within three months from completion       |
|   | 48,000               | 26,152             | 21,848  |   |

**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><br><u>Oct'16</u><br><u>RM'000</u> | <u>Period Ended</u><br><u>Apr'16</u><br><u>RM'000</u> |
|---|---|---|
| <b><u>Short Term Borrowings</u></b>         |   |   |
| Bankers' Acceptance - Secured               | 2,737   | 2,991   |
| - Unsecured                                 | 795   | 618   |
| Term Loan - Secured                         | 248   | 807   |
| Bank overdraft - Unsecured                  | --  | 5,798   |
| Finance Lease and Hire Purchase Liabilities | <u>809</u>  | <u>1,168</u>  |
|   | <b><u>4,589</u></b>                                   | <b><u>11,382</u></b>                                  |
| <b><u>Long Term Borrowings</u></b>          |   |   |
| Term Loans - Secured                        | 6,075   | 6,216   |
| Finance Lease and Hire Purchase Liabilities | <u>712</u>  | <u>720</u>  |
|   | <b><u>6,787</u></b>                                   | <b><u>6,936</u></b>                                   |

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The borrowings' currency breakdown as per follows:

|     | <u>Period Ended</u><br><u>Oct'16</u><br><u>RM'000</u> | <u>Period Ended</u><br><u>Apr'16</u><br><u>RM'000</u> |
|-----|---|---|
| RM  | 10,138  | 16,202  |
| THB | 1,066   | 1,911   |
| SGD | <u>172</u>  | <u>205</u>  |
|     | <u><b>11,376</b></u>                                  | <u><b>18,318</b></u>                                  |

**B9. Material Litigation**

There is no material litigation for the period ended 31 Oct 2016 and as at 16 Dec 2016.

**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.

However, no dividend has been proposed for the quarter ended 31 Oct 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<br/>Quarter</u> |
|--|----------------------------|
| Profit/ (Loss) attributable to Shareholders (RM)     |                            |
| -Continuing Operations                               | (2,337,192)                |
| -Discontinued Operations                             | --                         |
| Weighted Average Number of Ordinary Shares           | 124,633,848                |
| Basic Earnings/ (Loss) Per Share (Sen)               |                            |
| -Continuing Operations                               | (1.88)                     |
| -Discontinued Operations                             | --                         |
| Weighted Average Number of Ordinary Shares (Diluted) | 162,548,020                |
| Diluted Earnings/ (Loss) Per Share (Sen)             |                            |
| -Continuing Operations                               | (1.44)                     |
| -Discontinued Operations                             | --                         |

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

|                                   | <b>As at<br/>31 Oct 2016<br/>RM'000</b> | <b>As at<br/>31 Oct 2015<br/>RM'000</b> |
|-----------------------------------|---|---|
| Total Retained Profit/ (Loss) : - |   |   |
| i) Company and subsidiaries       |   |   |
| - Realised profit/ (loss)         | 3,424                                   | (2,237)                                 |
| - Unrealised profit/ (loss)       | <u>(652)</u>                            | <u>(264)</u>                            |
|                                   | <u>2,772</u>                            | <u>(2,501)</u>                          |
| ii) Associate                     |   |   |
| - Realised profit/ (loss)         | (2)                                     | (2)                                     |
| - Unrealised profit/ (loss)       | <u>-</u>                                | <u>-</u>                                |
|                                   | <u>(2)</u>                              | <u>(2)</u>                              |
| Less : Consolidation Adjustments  | (6,595)                                 | (4,101)                                 |
| <b>Total</b>                      | <b><u>(3,825)</u></b>                   | <b><u>(6,604)</u></b>                   |

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**B13. Notes For Statement of Comprehensive Income**

|  | <u>Period Ended</u><br><u>Oct'16</u><br><u>RM'000</u> | <u>Period Ended</u><br><u>Oct'15</u><br><u>RM'000</u> |
|--|---|---|
| <b><u>Continuing Operations</u></b>                          |   |   |
| a) Interest income   | 121   | 30  |
| b) Other income including investment income                  | 305   | 295   |
| c) Interest expense  | 583   | 790   |
| d) Depreciation and amortization                             | 2,545   | 2,553   |
| e) Provision for and writing off of receivables              | (37)  | (134)   |
| f) Provision for and writing off of inventories              | (4)   | (43)  |
| g) Foreign exchange gain/ (loss)                             | 445   | 727   |
| h) Gain/ (Loss) on disposal of<br>Investment in subsidiaries | (5,800)   | --  |
| <br>   |   |   |
|  | <u>Period Ended</u><br><u>Oct'16</u><br><u>RM'000</u> | <u>Period Ended</u><br><u>Oct'15</u><br><u>RM'000</u> |
| <b><u>Discontinued Operations</u></b>                        |   |   |
| a) Interest income   | 2   | 11  |
| b) Other income including investment income                  | 266   | 63  |
| c) Interest expense  | 442   | 1,252   |
| d) Depreciation and amortization                             | 1,486   | 3,152   |
| e) Provision for and writing off of receivables              | 2,717   | 69  |
| f) Impairment of R&D Expenditure                             | --  | 276   |
| g) Foreign exchange gain/ (loss)                             | (83)  | 51  |