

**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 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, requirements of the Companies Act 2016 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 2017.

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 2017.

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 2017.

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 2017.

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 2017 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 31 Oct 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 2017	124,633,848	31,158,462
Warrants exercised	-	-
As at 31 Oct 2017	124,633,848	31,158,462
5 year Warrants 2015/2020 ("Warrants")		Units
As at 1 May 2017		37,914,172
Exercised		-
As at 31 Oct 2017/Date of announcement		37,914,172

During the current quarter, the Company has purchased 778,700 of its own ordinary shares from the open market for a total cash consideration of RM 195,930.82 including transaction cost and this was financed by internally generated funds.

As at 31 Oct 2017, the number of treasury shares held was 5,160,700 ordinary shares at total cost of RM 1,570,730.30.

A8. Dividend Paid

No dividend was paid during the current quarter.

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A9. Segmental Information

Manufacturing Of Self Adhesive Stickers and Trading Of Related Products (31 Oct 2017)

	Malaysia	Singapore	Thailand	Others	Elimination	Consolidation
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	14,562	4,838	12,250	1,359	(2,984)	30,024
Profit/ (Loss)						(2,874)
Unallocated Expenses						(470)
Interest Income						201
Finance Costs						(458)
Share of loss of associate						-
Profit/ (Loss) before taxation						(3,601)
Income Tax Expenses						(80)
Net Profit/ (Loss) for the period						(3,681)

Manufacturing Of Self Adhesive Stickers and Trading Of Related Products (31 Oct 2016)

	Malaysia	Singapore	Thailand	Others	Elimination	Consolidation
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	13,198	4,860	16,286	2,221	(3,052)	33,513
Profit/ (Loss)						(3,689)
Unallocated Expenses						(305)
Interest Income						123
Finance Costs						(583)
Share of loss of associate						-
Profit/ (Loss) before taxation						(4,454)
Income Tax Expenses						(744)
Net Profit/ (Loss) for the period						(5,198)

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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 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 31 Oct 2017 , the Company has given a guarantee of RM17 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 Group is engaged in manufacturing self-adhesive labels and OPP roll-fed and shrink sleeves for large global and small-medium customers in Malaysia, Thailand, Singapore and Indonesia.

Relies on a single large customer group and severe competitive environment could have a material adverse effect on the operation results of the Group.

Analysis of Current Quarter and Financial Year To Date Performance

	Individual Period (2nd quarter)		Changes (%)	Cumulative Period		Changes (%)
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To- date	Preceding Year Corresponding Quarter	
	31/10/2017	31/10/2016		31/10/2017	31/10/2016	
	RM'000	RM'000		RM'000	RM'000	
Revenue	14,239	15,310	(7.0)	30,024	33,513	(10.4)
Profit/(Loss) Before Interest and Tax	(3,373)	(1,895)	(78.0)	(3,143)	(3,871)	18.8
Profit/(Loss) Before Tax	(3,656)	(2,138)	(71.0)	(3,601)	(4,454)	19.2
Profit/(Loss) After Tax	(3,699)	(2,337)	(58.3)	(3,681)	(5,198)	29.2
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(3,699)	(2,337)	(58.3)	(3,681)	(5,198)	29.2

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I) Analysis of Quarters Performance

For the quarter ended 31 October 2017, the revenue of the Group had been decreased by RM 1.071 million (-7%) compared to the revenue of the corresponding quarter of last year. The drops in revenue was mainly due to the severe competition in the label printing industry, where a single large customer group has not only demanded a reduction on selling price but also reduced its purchase order.

A loss before tax of RM3.656 million had been recorded for the current quarter as compared to a loss before tax of RM2.138 million for the corresponding quarter last year.

Relies on a single large customer group and severe competitive environment could have a material adverse effect on the operation results of the Group. In the past, the Group had placed too much reliance on a single large customer which have adversely affected our results not only they reduced our orders as well as selling price. In addition, there was a realized/unrealised foreign currency loss of RM0. 109 million that recorded in the current quarter compared to a realized/unrealised foreign currency gain of RM0.219 million that recorded in the preceding quarter.

II) Analysis of 6 months performance

For the period ended 31 October 2017, the revenue had been decreased by RM3.489 million (-10.4%) as compared to the revenue of last year's corresponding period. The drops in revenue was mainly due to the severe competition in the label printing industry, where a single large customer group has not only demanded a reduction on selling price but also reduced its purchase order.

A loss before tax of RM3.601 million had been recorded in the period ended 31 October 2017 as compared to a loss before tax of RM4.454 million last year.

The lower loss before tax was mainly due to a disposal loss of China operation, RM5.800 million that recorded in the last year's corresponding period. Relies on a single large customer group and severe competitive environment could have a material adverse effect on the operation results of the Group. In the past, the Group had placed too much reliance on a single large customer which have adversely affected our results not only they reduced our orders as well as selling price.

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B2. Comparison with the Preceding Quarter's Results

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	31/10/2017	31/07/2017	
	RM'000	RM'000	
Revenue	14,239	15,785	(9.8)
Profit/(Loss) Before Interest and Tax	(3,373)	229	(1,572.9)
Profit/(Loss) Before Tax	(3,656)	54	(6,870.4)
Profit/(Loss) After Tax	(3,699)	17	(21,858.8)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(3,699)	17	(21,858.8)

The Group recorded a revenue of RM14.239 million as compared to RM15.785 million for the preceding quarter, representing a decrease of RM1.546 million (-9.8%). The drops in revenue was mainly due to the severe competition in the label printing industry, where a single large customer group has reduced its purchase order.

The Group recorded loss before tax of RM3.656 million compared to profit of RM0.054 million for the preceding quarter. A loss before tax that recorded in the current quarter was mainly due to a single large customer group has reduced its purchase order. In addition, there was a realized/unrealised foreign currency loss of RM0.109 million that recorded in the current quarter compared to a realized/unrealised foreign currency gain of RM0.675 million that recorded in the preceding quarter.

B3. Current Year Prospects

The Group will continually diversify the customer base for the remaining quarters.

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

	Current Quarter (RM'000)	Year to date (RM'000)
Income Tax		
- Current tax expenses	(97)	(60)
- Deferred tax	140	140
	43	80

B7. Status of Corporate Proposal

There were no corporate proposals announced from the date of last quarterly report to the date of this announcement except for an announcement on vary the utilisation of balance proceeds and extend the time frame for the utilisation of balance proceeds arising from the disposal of its entire equity interest in Komark Investment Holdings Limited including its subsidiary companies on 15 September 2017.

Status of utilisation of disposal of China operations proceeds as at the date of announcement

Purpose	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Balance Unutilised (RM'000)	Variation to Utilisation of Balance Proceeds (RM'000)	Actual Utilisation (RM'000)	Balance Unutilised (RM'000)	Extension of Time Frame For Utilisation
Repayment of borrowings	21,438	19,274	2,164	2,164	2,164	-	Within 18 months (i.e. additional 6 months until 5 March 2018)
Working capital	12,323	12,323	-	4,139	4,139	-	
Purchase of new machineries	10,000	5,861	4,139	-	-	-	
Special interim dividend	3,739	3,739	-	-	-	-	
Expenses in relation to the Disposal	500	500	-	-	-	-	
Total	48,000	41,697	6,303	6,303	6,303	-	

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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:

	As at 31 Oct 2017					
	Long Term		Short Term		Total borrowings	
	Foreign denomination	RM'000 denomination	Foreign denomination	RM'000 denomination	Foreign denomination	RM'000 denomination
Secured						
Bank Overdraft		-		-		-
Bankers' Acceptance		-		3,387		3,387
Term Loan		5,823		261		6,084
Finance Lease and Hire Purchase Liabilities	SGD 4,168 Exc Rate 3.1077	13	SGD 28,860 Exc Rate 3.1077	90	SGD 33,028 Exc Rate 3.1077	103
Finance Lease and Hire Purchase Liabilities	THB 585,509 Exc Rate 0.127363	75	THB 3,742,534 Exc Rate 0.127363	477	THB 4,328,043 Exc Rate 0.127363	551
Finance Lease and Hire Purchase Liabilities		5,060		1,139		6,199
Unsecured						
Trust Receipts		-		-		-
		10,970		5,353		16,323

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	As at 31st Oct 2016					
	Long Term		Short Term		Total borrowings	
	Foreign denomination	RM'000 denomination	Foreign denomination	RM'000 denomination	Foreign denomination	RM'000 denomination
Secured						
Bank Overdraft		-		-		-
Bankers' Acceptance		-		2,737		2,737
Term Loan		6,075		248		6,323
Finance Lease and Hire Purchase Liabilities	SGD 28,085 Exc Rate 3.0129		SGD 28,860 Exc Rate 3.0129		SGD 56,945 Exc Rate 3.0129	
		85		87		172
Finance Lease and Hire Purchase Liabilities	THB 3,563,371 Exc Rate 0.119877		THB 5,325,268 Exc Rate 0.119877		THB 8,888,639 Exc Rate 0.119877	
		427		638		1,065
Finance Lease and Hire Purchase Liabilities						
		200		84		284
Unsecured						-
Bankers' Acceptance		-		589		589
Trust Receipts		-		206		206
		6,787		4,589		11,376

The increase of the amount of hire purchase as compared to corresponding quarter of preceding year was mainly due to additional finance leases for newly acquired machineries. Interest rates for the hire purchase are between 3.86% to 3.99% per annum.

B9. Material Litigation

There is no material litigation for the period ended 31 Oct 2017 and as at the date of announcement.

B10. Dividend Payable

No dividend has been proposed for the quarter ended 31 Oct 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.

	Current Quarter
Profit/ (Loss) attributable to Shareholders (RM)	(3,698,625)
Weighted Average Number of Ordinary Shares	121,914,406
Basic Earnings/ (Loss) Per Share (Sen)	(3.03)
Weighted Average Number of Ordinary Shares (Diluted)	159,828,578
Diluted Earnings/ (Loss) Per Share (Sen)	(2.31)

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

	As at	As at
	31 Oct 2017	31 Oct 2016
	RM'000	RM'000
Total Retained Profit/ (Loss) :-		
i) Company and subsidiaries		
- Realised profit/ (loss)	(4,491)	3,424
- Unrealised profit/ (loss)	(782)	(652)
	(5,273)	2,772
ii) Associate		
- Realised profit/ (loss)	(2)	(2)
- Unrealised profit/ (loss)	-	-
	(2)	(2)
Less: Consolidation Adjustments	(29,974)	(6,595)
Total	(35,248)	(3,825)

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B13. Notes For Statement of Comprehensive Income

		Period Ended	Period Ended
		Oct'2017	Oct'2016
		RM'000	RM'000
a)	Interest Income	201	121
b)	Other income including investment income	363	305
c)	Interest expense	458	583
d)	Depreciation and amortization	2,493	2,545
e)	Provision for and writing off of receivables	(120)	(37)
f)	Provision for and writing off of inventories	(135)	(4)
g)	Foreign exchange gain/ (loss)	566	445
h)	Gain/ (Loss) on disposal of Investment in subsidiaries	-	(5,800)