

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

**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS  
FOR THE THIRD QUARTER ENDED 31 JAN 2018**

**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 Jan 2018, the issued and paid up ordinary share capital of the company was RM48.425 million and a total of 50,551,921 Warrants outstanding. The movements during the financial period were as follows:-

<b>Issued and Paid up Share Capital</b>	Ordinary shares	RM'000
As at 1 May 2017	124,633,848	31,158
Warrants exercised	-	-
Issuance of 39,799,856 new bonus issues on the basis of 1 bonus share for every 3 existing shares and transfers from share premium and capital redemption reserve according to New Company Act 2016	39,799,856	17,267
As at 31 Jan 2018	164,433,704	48,425
<b>5 year Warrants 2015/2020 ("Warrants")</b>		Units
As at 1 May 2017		37,914,172
Exercised		-
Issuance of 12,637,749 additional Warrant related to issuance of new bonus share		12,637,749
As at 31 Jan 2018		50,551,921

During the current quarter, the Company has purchased 70,100 of its own ordinary shares from the open market for a total cash consideration of RM 17,819.80 including transaction cost and this was financed by internally generated funds.

As at 31 Jan 2018, the number of treasury shares held was 5,230,800 ordinary shares at total cost of RM 1.588 million.

**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 Jan 2018)**

	Malaysia	Singapore	Thailand	Others	Elimination	Consolidation
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	21,607	6,958	17,651	1,783	(4,117)	43,881
Profit/ (Loss)						(6,085)
Unallocated Expenses						(672)
Interest Income						260
Finance Costs						(727)
Share of loss of associate						-
Profit/ (Loss) before taxation						(7,224)
Income Tax Expenses						(181)
Net Profit/ (Loss) for the period						(7,405)

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

	Malaysia	Singapore	Thailand	Others	Elimination	Consolidation
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	19,326	7,161	23,281	3,252	(4,436)	48,583
Profit/ (Loss)						(3,796)
Unallocated Expenses						(795)
Interest Income						183
Finance Costs						(764)
Share of loss of associate						-
Profit/ (Loss) before taxation						(5,172)
Income Tax Expenses						(1,422)
Net Profit/ (Loss) for the period						(6,594)

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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 Jan 2018.

**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 Jan 2018 , 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 (3rd quarter)		Changes (%)	Cumulative Period		Changes (%)
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To-date	Preceding Year Corresponding Quarter	
	31/01/2018	31/01/2017		31/01/2018	31/01/2017	
	RM'000	RM'000		RM'000	RM'000	
Revenue	13,857	15,071	(8.1)	43,881	48,584	(9.7)
Profit/(Loss) Before Interest and Tax	(3,354)	(537)	(524.6)	(6,497)	(4,408)	(47.4)
Profit/(Loss) Before Tax	(3,623)	(718)	(404.6)	(7,224)	(5,172)	(39.7)
Profit/(Loss) After Tax	(3,724)	(1,396)	(166.8)	(7,405)	(6,594)	(12.3)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(3,724)	(1,396)	(166.8)	(7,405)	(6,594)	(12.3)

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**I) Analysis of Quarters Performance**

For the quarter ended 31 January 2018, the revenue of the Group had been decreased by RM 1.214 million (-8.1%) 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 RM3.623 million had been recorded for the current quarter as compared to a loss before tax of RM0.718 million for the corresponding quarter last year.

Relies on a single large customer group and severe competitive environment 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 RM0.341 million that recorded in the current quarter compared to a realized/unrealised foreign currency gain of RM0.162 million that recorded in the preceding quarter.

**II) Analysis of 9 months performance**

For the period ended 31 January 2018, the revenue had been decreased by RM4.703 million (-9.7%) 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 RM6.497 million had been recorded in the period ended 31 January 2018 as compared to a loss before tax of RM4.408 million last year.

Relies on a single large customer group and severe competitive environment 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 (%)
	31/01/2018	31/10/2017	
	RM'000	RM'000	
Revenue	13,857	14,239	(2.7)
Profit/(Loss) Before Interest and Tax	(3,354)	(3,373)	0.6
Profit/(Loss) Before Tax	(3,623)	(3,656)	0.9
Profit/(Loss) After Tax	(3,724)	(3,699)	(0.7)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(3,724)	(3,699)	(0.7)

The Group recorded a revenue of RM13,857 million as compared to RM14,239 million for the preceding quarter, representing a decrease of RM0.382 million (-2.7%). The drops in revenue was mainly due to the marginal drop in sales orders.

The Group recorded loss before tax of RM3.623 million compared to loss before tax of RM3.656 million for the preceding quarter. The marginal reduction of loss before tax was mainly due to slightly lower operating cost.

**B3. Current Year Prospects**

The Group will continually implement cost cut measurement and 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**

Income Tax	Current Quarter RM'000	Year to date RM'000
- Current tax expenses	1	(59)
- Deferred tax	100	240
	101	181

**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	-	-	-	-	
<b>Total</b>	<b>48,000</b>	<b>41,697</b>	<b>6,303</b>	<b>6,303</b>	<b>6,303</b>	<b>-</b>	

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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 Jan 2018					
	Long Term		Short Term		Total borrowings	
	Foreign denomination	RM'000 denomination	Foreign denomination	RM'000 denomination	Foreign denomination	RM'000 denomination
<b>Secured</b>						
Bank Overdraft		-		-		-
Bankers' Acceptance		-		3,165		3,165
Term Loan		5,759		263		6,023
Finance Lease and Hire Purchase Liabilities		0	SGD 26,775 Exc Rate 2.9681	79	SGD 26,775 Exc Rate 2.9681	79
Finance Lease and Hire Purchase Liabilities	THB 537,457 Exc Rate 0.12388	67	THB 2,883,803 Exc Rate 0.12388	357	THB 3,421,260 Exc Rate 0.12388	424
Finance Lease and Hire Purchase Liabilities		5,086		1,243		6,329
<b>Unsecured</b>						
Trust Receipts		-		-		-
		<b>10,912</b>		<b>5,107</b>		<b>16,020</b>

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	As at 31st Jan 2017					
	Long Term		Short Term		Total borrowings	
	Foreign denomination	RM'000 denomination	Foreign denomination	RM'000 denomination	Foreign denomination	RM'000 denomination
<b>Secured</b>						
Bank Overdraft		-		-		-
Bankers' Acceptance		-		2,178		2,178
Term Loan		6,013		251		6,264
Finance Lease and Hire Purchase Liabilities	SGD 21,832 Exc Rate 3.1191	68	SGD 28,860 Exc Rate 3.1191	90	SGD 50,592 Exc Rate 3.1191	158
Finance Lease and Hire Purchase Liabilities	THB 2,700,457 Exc Rate 0.125779	340	THB 3,347,208 Exc Rate 0.125779	421	THB 6,047,665 Exc Rate 0.125779	761
Finance Lease and Hire Purchase Liabilities		189		66		255
<b>Unsecured</b>						-
Bankers' Acceptance		-		596		596
		<b>6,610</b>		<b>3,602</b>		<b>10,212</b>

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 Jan 2018 and as at the date of announcement.

**B10. Dividend Payable**

No dividend has been proposed for the quarter ended 31 Jan 2018.

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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.

	<b>Current Quarter</b>
Profit/ (Loss) attributable to Shareholders (RM)	(3,724,246)
Weighted Average Number of Ordinary Shares	161,680,054
Basic Earnings/ (Loss) Per Share (Sen)	(2.30)
Weighted Average Number of Ordinary Shares (Diluted)	212,231,975
Diluted Earnings/ (Loss) Per Share (Sen)	(1.75)

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

	As at	As at
	31 Jan 2018	31 Jan 2017
	RM'000	RM'000
Total Retained Profit/ (Loss) :-		
i) Company and subsidiaries		
- Realised profit/ (loss)	(7,953)	2,016
- Unrealised profit/ (loss)	(1,098)	(727)
	(9,051)	1,289
ii) Associate		
- Realised profit/ (loss)	(2)	(2)
- Unrealised profit/ (loss)	-	-
	(2)	(2)
Less: Consolidation Adjustments	(29,922)	(6,508)
<b>Total</b>	<b>(37,659)</b>	<b>(5,221)</b>

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

		Period Ended	Period Ended
		Jan'2018	Jan'2017
		RM'000	RM'000
a)	Interest Income	260	183
b)	Other income including investment income	577	520
c)	Interest expense	727	764
d)	Depreciation and amortization	3,906	3,824
e)	Provision for and writing off of receivables	(146)	(50)
f)	Provision for and writing off of inventories	(578)	(32)
g)	Foreign exchange gain/ (loss)	226	607
h)	Gain/ (Loss) on disposal of Investment in subsidiaries	-	(5,800)