

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 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 2018 except the adoption of the new or revised standards, IC Interpretation and amendments to standards.

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 2018.

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 2018.

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 2018.

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.

MFRS 9: Financial Instruments

MFRS 9 introduces new requirements for classification and measurement of financial instruments, impairment assessment based on the expected credit loss model and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

The adoption of MFRS 9 did not have any significant effects on the interim financial report upon their initial application, except for the effect of applying the impairment assessment based on the expected credit loss model on trade receivables.

i. Classification and measurements

There is no significant impact on the Group's statement of financial position or changes in equity on applying the classification and measurement requirements of MFRS 9.

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FOR THE FIRST QUARTER ENDED 31 JULY 2018**

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, cash and bank balances, deposits with financial institutions and trade and other receivables that were classified as loans and receivables under MFRS139 are now classified at amortised cost.

ii. Impairment

The Group has applied the simplified approach to calculate expected credit losses which uses a lifetime expected loss allowance on all trade receivables. The Group's provision matrix is based on its historical credit loss experience with trade receivables of similar credit risk characteristics. There is no significant impact to the Group's financial statements.

The Group has applied MFRS 9 retrospectively on the initial application date of 1 May 2018 and has elected not to restate comparatives.

MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers.

MFRS 15 which came into effect in this financial period superseded the previous revenue recognition guidance including MFRS 118: Revenue, MFRS 111: Construction Contracts and the related interpretations.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group has adopted the new standard on the required effective date using the full retrospective method and apply all the practical expedients available for modified retrospective approach. The adoption of MFRS 15 did not have any significant effects on the interim financial report upon their initial application.

A3. Audit Report

The audit report for the financial statements of the Group for the financial year ended 30 April 2018 was not qualified.

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**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 JULY 2018**

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.

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 2018, the issued and paid up ordinary share capital of the company was RM48,425,658 and a total of 50,551,921 Warrants outstanding. The movements during the financial period were as follows:-

Issued and Paid up Share Capital	Ordinary shares	RM
As at 1 May 2018	164,433,704	48,425,658
Warrants exercised	-	-
As at 31 July 2018	164,433,704	48,425,658
5 year Warrants 2015/2020 ("Warrants")		Units
As at 1 May 2018		50,551,921
Exercised		-
As at 31 July 2018/Date of announcement		50,551,921

During the current quarter, the Company has purchased 984,500 of its own ordinary shares from the open market for a total cash consideration of RM 174,425.61 including transaction cost and this was financed by internally generated funds.

As at 31 July 2018, the number of treasury shares held was 8,657,000 ordinary shares at total cost of RM 2,201,545.17.

A8. Dividend Paid

No dividend was paid during the current quarter.

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**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 JULY 2018**

A9. Segmental Information

Manufacturing Of Self Adhesive Stickers and Trading Of Related Products (31 July 2018)

	Malaysia	Singapore	Thailand	Others	Elimination	Consolidation
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	5,616	2,300	4,904	729	(1,181)	12,367
Profit/ (Loss)						(2,823)
Unallocated Expenses						(335)
Interest Income						32
Finance Costs						(288)
Share of loss of associate						-
Profit/ (Loss) before taxation						(3,414)
Income Tax Expenses						-
Net Profit/ (Loss) for the period						(3,414)

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

	Malaysia	Singapore	Thailand	Others	Elimination	Consolidation
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	7,700	2,523	6,442	734	(1,614)	15,785
Profit/ (Loss)						368
Unallocated Expenses						(256)
Interest Income						117
Finance Costs						(175)
Share of loss of associate						-
Profit/ (Loss) before taxation						54
Income Tax Expenses						(37)
Net Profit/ (Loss) for the period						17

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FOR THE FIRST QUARTER ENDED 31 JULY 2018**

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 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 July 2018 , the Company has given a guarantee of RM16.4 million to banks and financial institutions for its subsidiaries' banking facilities.

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AND ITS SUBSIDIARIES**
(Company No. 374265 - A)
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**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 JULY 2018**

**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 (1st quarter)		Changes (%)	Cumulative Period		Changes (%)
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To- date	Preceding Year Corresponding Quarter	
	31/07/2018	31/07/2017		31/07/2018	31/07/2017	
	RM'000	RM'000		RM'000	RM'000	
Revenue	12,367	15,785	(21.7)	12,367	15,785	(21.7)
Profit/(Loss) Before Interest and Tax	(3,125)	229	(1,464.8)	(3,125)	229	(1,464.8)
Profit/(Loss) Before Tax	(3,414)	54	(6,422.0)	(3,414)	54	(6,422.0)
Profit/(Loss) After Tax	(3,414)	17	(20,181.8)	(3,414)	17	(20,181.8)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(3,414)	17	(20,181.8)	(3,414)	17	(20,181.8)

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FOR THE FIRST QUARTER ENDED 31 JULY 2018**

I) Analysis of Quarters Performance

For the current quarter ended 31 July 2018, the Group recorded a revenue of RM12.367 million compared to preceding year corresponding quarter of RM15.785 million; a decrease of RM3.418 million or 21.7%. The decrease in revenue was mainly due to the loss of market share, where a single large customer group has not only demanded a reduction on selling price but also reduced its purchase order.

For the current quarter under review, recorded a loss before tax of RM3.414 million compared to a profit before tax of RM0.054 million for the corresponding quarter last year. The decrease in profit was due to the drops in revenue and margin.

B2. Comparison with the Preceding Quarter's Results

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	31/07/2018	30/04/2018	
	RM'000	RM'000	
Revenue	12,367	13,068	(5.4)
Profit/(Loss) Before Interest and Tax	(3,125)	(13,244)	76.4
Profit/(Loss) Before Tax	(3,414)	(13,537)	74.8
Profit/(Loss) After Tax	(3,414)	(14,107)	75.8
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(3,414)	(14,107)	75.8

The Group recorded a revenue of RM12.367 million as compared to RM13.068 million for the preceding quarter, representing a decrease of RM0.701 million or 5.4%. The decrease in revenue was mainly due to the loss of market share.

The Group recorded loss before tax of RM3.414 million compared to the loss before tax of RM13.537 million for the preceding quarter. A lower loss before tax was mainly due to the writing off of machineries and higher on provision for doubtful debts, provision for slow-moving inventories and foreign exchange loss that recorded in the preceding quarter.

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**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 JULY 2018**

B3. Commentary of Prospects

The trade war between USA and China has caused uncertainties in the global market; as a result, the customers have taken a cautious and pessimistic view in reducing their orders.

The Group has taken steps to improve sales, through aggressive marketing and costs control. The Group is optimistic to improve sales with additional investment of new machineries for flexible packaging.

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

Income Tax	Current Quarter (RM'000)	Year to date (RM'000)
- Current tax expenses	-	-
- Deferred tax	-	-
	-	-

B7. Status of Corporate Proposal

There were no corporate proposals announced from the date of last quarterly report to the date of this announcement.

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**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 JULY 2018**

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 July 2018					
	Long Term		Short Term		Total borrowings	
	Foreign denomination	RM'000 denomination	Foreign denomination	RM'000 denomination	Foreign denomination	RM'000 denomination
Secured						
Bank Overdraft		-	THB 4,160,762 Exc Rate 0.122145	508		508
Bankers' Acceptance		-		2,630		2,630
Term Loan		5,627		271		5,898
Finance Lease and Hire Purchase Liabilities	SGD 1,538 Exc Rate 2.9858	5	SGD 15,732 Exc Rate 2.9858	47	SGD 17,270 Exc Rate 2.9858	52
Finance Lease and Hire Purchase Liabilities	THB 2,623,031 Exc Rate 0.122145	320	THB 1,831,630 Exc Rate 0.122145	224	THB 4,454,661 Exc Rate 0.122145	544
Finance Lease and Hire Purchase Liabilities		5,032		1,430		6,462
Unsecured						
Trust Receipts		-		-		-
		10,984		5,110		16,094

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(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 JULY 2018

	As at 31 July 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		-		331		331
Bankers' Acceptance		-		2,354		2,354
Term Loan		5,887		258		6,145
Finance Lease and Hire Purchase Liabilities	SGD 10,421 Exc Rate 3.1535		SGD 28,860 Exc Rate 3.1535		SGD 39,281 Exc Rate 3.1535	
		33		91		124
Finance Lease and Hire Purchase Liabilities	THB 919,663 Exc Rate 0.128531		THB 3,488,804 Exc Rate 0.128531		THB 4,408,467 Exc Rate 0.128531	
		118		448		567
Finance Lease and Hire Purchase Liabilities		2,675		573		3,248
Unsecured						
Bankers' Acceptance		-		-		-
Trust Receipts		-		445		445
		8,714		4,501		13,215

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 July 2018 and as at the date of announcement.

B10. Dividend Payable

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

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**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 JULY 2018**

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)	(3,413,899)
Weighted Average Number of Ordinary Shares	155,786,621
Basic Earnings/ (Loss) Per Share (Sen)	(2.19)
Weighted Average Number of Ordinary Shares (Diluted)	206,338,542
Diluted Earnings/ (Loss) Per Share (Sen)	(1.65)

B12. Notes For Statement of Comprehensive Income

		Period Ended	Period Ended
		July'2018	July'2017
		RM'000	RM'000
a)	Interest Income	32	117
b)	Other income including investment income	217	184
c)	Interest expense	288	175
d)	Depreciation and amortization	1,123	1,224
e)	Provision for and writing off of receivables	-	31
f)	Provision for and writing off of inventories	9	131
g)	Foreign exchange gain/ (loss)	(473)	675

