

**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 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 did 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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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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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 Oct 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 Oct 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 Oct 2018/Date of announcement		50,551,921

During the current quarter, the Company has purchased 1,420,100 of its own ordinary shares from the open market for a total cash consideration of RM 209,807.29 including transaction cost and this was financed by internally generated funds.

As at 31 Oct 2018, the number of treasury shares held was 10,077,100 ordinary shares at total cost of RM 2,411,352.46.

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 2018)

	Malaysia	Singapore	Thailand	Others	Elimination	Consolidation
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	10,959	4,624	9,894	1,759	(2,398)	24,838
Profit/ (Loss)						(4,228)
Unallocated Expenses						(601)
Interest Income						41
Finance Costs						(604)
Share of loss of associate						-
Profit/ (Loss) before taxation						(5,391)
Income Tax Expenses						186
Net Profit/ (Loss) for the period						(5,206)

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)

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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 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 Oct 2018 , the Company has given a guarantee of RM19.2 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	
	31/10/2018	31/10/2017		31/10/2018	31/10/2017	
	RM'000	RM'000		RM'000	RM'000	
Revenue	12,471	14,239	(12.4)	24,838	30,024	(17.3)
Profit/(Loss) Before Interest and Tax	(1,663)	(3,373)	50.7	(4,788)	(3,143)	(52.3)
Profit/(Loss) Before Tax	(1,978)	(3,656)	45.9	(5,391)	(3,601)	(49.7)
Profit/(Loss) After Tax	(1,793)	(3,699)	51.5	(5,206)	(3,681)	(41.4)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(1,793)	(3,699)	51.5	(5,206)	(3,681)	(41.4)

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I) Analysis of Quarters Performance

For the current quarter ended 31 Oct 2018, the Group recorded a revenue of RM12.471 million compared to preceding year corresponding quarter of RM14.239 million; a decrease of RM1.768 million or 12.4%. The decrease in revenue was mainly due to the loss of market share.

For the current quarter under review, the Group recorded a loss before tax of RM1.978 million compared to a loss before tax of RM3.656 million for the corresponding quarter last year. The decrease in loss was due to lower operating expenditures and the unrealized foreign currency exchange gain RM0.222 million compared to unrealized foreign currency loss RM0.623 million that recorded in the preceding year corresponding quarter.

II) Analysis of 6 months performance

For the period ended 31 Oct 2018, the Group recorded a revenue of RM24.838 million compared to the preceding year corresponding period of RM30.024 million; a decrease of RM5.186 million or 17.3%. The decrease in revenue was mainly due to the loss of market share.

For the period under review, the Group recorded a loss before tax of RM5.391 million compared to a loss before tax of RM3.601 million for the corresponding period last year. The increase in loss was due to lower revenue and lower gross margin.

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B2. Comparison with the Preceding Quarter's Results

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	31/10/2018	31/07/2018	
	RM'000	RM'000	
Revenue	12,471	12,367	0.8
Profit/(Loss) Before Interest and Tax	(1,663)	(3,125)	46.8
Profit/(Loss) Before Tax	(1,978)	(3,414)	42.0
Profit/(Loss) After Tax	(1,793)	(3,414)	47.5
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(1,793)	(3,414)	47.5

The Group recorded a revenue of RM12.471 million as compared to RM12.367 million for the preceding quarter, representing a marginal increase of RM0.104 million or 0.8%. The marginal increase in revenue was mainly due to higher sales orders.

The Group recorded loss before tax of RM1.978 million compared to the loss before tax of RM3.414 million for the preceding quarter. A lower loss before tax was mainly due to improvement on gross profit margin and lower operating expenses and the unrealized foreign currency gain of RM0.222 million compared to unrealized foreign currency loss of RM0.388 million that recorded in the preceding quarter.

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 the new invested 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.

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B6. Taxation

	Current Quarter (RM'000)	Year to date (RM'000)
Income Tax		
- Current tax expenses	4	4
- Deferred tax	(190)	(190)
	(186)	(186)

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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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 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		-		-		-
Bankers' Acceptance		-		2,138		2,138
Term Loan		5,561		274		5,835
Finance Lease and Hire Purchase Liabilities		-	SGD 14,018 Exc Rate 3.0208	42	SGD 14,018 Exc Rate 3.0208	42
Finance Lease and Hire Purchase Liabilities	THB 12,871,470 Exc Rate 0.126252	1,625	THB 3,169,909 Exc Rate 0.126252	400	THB 16,041,379 Exc Rate 0.126252	2,025
Finance Lease and Hire Purchase Liabilities		6,908		1,953		8,861
Unsecured						
Trust Receipts		-		-		-
		14,094		4,808		18,902

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	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						
Bankers' Acceptance		-		-		-
Trust Receipts		-		-		-
		10,970		5,353		16,323

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 2018 and as at the date of announcement.

B10. Dividend Payable

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

	Current Quarter
Profit/ (Loss) attributable to Shareholders (RM)	(1,791,979)
Weighted Average Number of Ordinary Shares	154,943,721
Basic Earnings/ (Loss) Per Share (Sen)	(1.16)
Weighted Average Number of Ordinary Shares (Diluted)	205,495,642
Diluted Earnings/ (Loss) Per Share (Sen)	(0.87)

B12. Notes For Statement of Comprehensive Income

		Period Ended	Period Ended
		Oct'2018	Oct'2017
		RM'000	RM'000
a)	Interest Income	41	201
b)	Other income including investment income	433	363
c)	Interest expense	604	458
d)	Depreciation and amortization	2,253	2,493
e)	Provision for and writing off of receivables	(75)	(120)
f)	Provision for and writing off of inventories	34	(135)
g)	Foreign exchange gain/ (loss)	(383)	566