

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

**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS  
FOR THE FORTH QUARTER ENDED 30 APRIL 2019**

**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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FOR THE FORTH QUARTER ENDED 30 APRIL 2019**

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 FORTH QUARTER ENDED 30 APRIL 2019**

**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 30 Apr 2019, 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:-

<b>Issued and Paid up Share Capital</b>	Ordinary shares	RM
As at 1 May 2018	164,433,704	48,425,658
Warrants exercised	-	-
As at 30 Apr 2019	164,433,704	48,425,658
<b>5 year Warrants 2015/2020 ("Warrants")</b>		Units
As at 1 May 2018		50,551,921
Exercised		-
As at 30 Apr 2019/Date of announcement		50,551,921

During the current quarter, the Company has disposed 11,303,100 of its own ordinary shares to the open market for a total cash consideration of RM 2,122,039.77 including transaction cost.

As at 30 Apr 2019, no treasury shares was held in the company.

**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 FORTH QUARTER ENDED 30 APRIL 2019**

**A9. Segmental Information**

**Manufacturing Of Self Adhesive Stickers and Trading Of Related Products (30 Apr 2019)**

	Malaysia	Singapore	Thailand	Others	Elimination	Consolidation
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	19,935	8,961	20,412	3,094	(4,660)	47,743
Profit/ (Loss)						20,605
Unallocated Expenses						(30,370)
Interest Income						56
Finance Costs						(1,254)
Share of loss of associate						-
Profit/ (Loss) before taxation						(10,964)
Income Tax Expenses						1,812
Net Profit/ (Loss) for the period						(9,152)

**Manufacturing Of Self Adhesive Stickers and Trading Of Related Products (30 Apr 2018)**

	Malaysia	Singapore	Thailand	Others	Elimination	Consolidation
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	27,564	8,948	23,320	2,392	(5,275)	56,949
Profit/ (Loss)						(17,370)
Unallocated Expenses						(2,683)
Interest Income						304
Finance Costs						(1,020)
Share of loss of associate						-
Profit/ (Loss) before taxation						(20,769)
Income Tax Expenses						(727)
Net Profit/ (Loss) for the period						(21,496)

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**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS  
FOR THE FORTH QUARTER ENDED 30 APRIL 2019**

**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 30 Apr 2019.

**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 30 Apr 2019 , the Company has given a guarantee of RM18.2 million to banks and financial institutions for its subsidiaries' banking facilities.

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**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS  
FOR THE FORTH QUARTER ENDED 30 APRIL 2019**

**ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA LISTING  
REQUIREMENTS**

**B1. Review of Performance**

The Group's principal activities are involved 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 (4th quarter)		Changes (%)	Cumulative Period		Changes (%)
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To- date	Preceding Year Corresponding Quarter	
	30/04/2019	30/04/2018		30/04/2019	30/04/2018	
	RM'000	RM'000		RM'000	RM'000	
Revenue	10,271	13,068	(21.4)	47,743	56,949	(16.2)
Profit/(Loss) Before Interest and Tax	(3,875)	(13,252)	70.8	(9,710)	(19,749)	50.8
Profit/(Loss) Before Tax	(4,193)	(13,545)	69.0	(10,964)	(20,769)	47.2
Profit/(Loss) After Tax	(2,602)	(14,091)	81.5	(9,152)	(21,496)	57.4
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(2,602)	(14,091)	81.5	(9,152)	(21,496)	57.4

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FOR THE FORTH QUARTER ENDED 30 APRIL 2019**

**I) Analysis of Quarters Performance**

For the current quarter ended 30 Apr 2019, the Group recorded a revenue of RM10.271 million compared to preceding year corresponding quarter of RM13.068 million; a decrease of RM2.797 million or 21.4%. The decrease in revenue was mainly due to the loss of customers.

For the current quarter under review, the Group recorded a loss before tax of RM4.193 million compared to a loss before tax of RM13.545 million for the corresponding quarter last year. The decrease in loss was due to higher selling price; lower operating expenses, unrealized foreign currency exchange loss of RM0.875 million and assets impairment of RM4.515 million.

**II) Analysis of 12 months performance**

For the financial year ended 30 Apr 2019, the Group recorded a revenue of RM47.743 million compared to the preceding financial year of RM56.949 million; a decrease of RM9.206 million or 16.20%. The decrease in revenue was mainly due to the loss of customers.

For the period under review, the Group recorded a loss before tax of RM10.964 million compared to a loss before tax of RM20.769 million for the corresponding period last year. The decrease in loss was due to lower asset impairment of RM4.515 million and operating expenses; obtaining a higher selling price despite of lower revenue.

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**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS  
FOR THE FORTH QUARTER ENDED 30 APRIL 2019**

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

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	30/04/2019	31/01/2019	
	RM'000	RM'000	
Revenue	10,271	12,634	(18.7)
Profit/(Loss) Before Interest and Tax	(3,875)	(1,047)	(270.1)
Profit/(Loss) Before Tax	(4,193)	(1,379)	(204.1)
Profit/(Loss) After Tax	(2,602)	(1,344)	(93.6)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(2,602)	(1,344)	(93.6)

The Group recorded a revenue of RM10.271 million as compared to RM12.634 million for the preceding quarter, representing a decrease of RM2.363 million or 18.7%. The decrease in revenue was mainly due to the loss of customers.

The Group recorded loss before tax of RM4.193 million compared to the loss before tax of RM1.379 million for the preceding quarter. A higher loss before tax was mainly due to lower revenue, the assets impairment of RM1.686 million and higher operating expenses.

**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 strategy. The Group has also take all necessary steps to reduce other operating expenses. The Group is optimistic to improve sales with the new invested machineries for flexible packaging for the forth coming financial year.

**B4. Profit Forecast or Profit Guarantee**

The Group did not announce or disclose any profit forecast or profit guarantee in a public document.



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**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS  
FOR THE FORTH QUARTER ENDED 30 APRIL 2019**

**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	(116)	(85)
- Deferred tax	(1,475)	(1,727)
	(1,591)	(1,812)

**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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FOR THE FORTH QUARTER ENDED 30 APRIL 2019**

**B8. Group Borrowings and Debt Securities**

Group borrowings and debt securities as at the end of the reporting period are as follows:

	As at 30 Apr 2019					
	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		-	THB 6,510,107 Exc Rate 0.129549	843	THB 6,510,107 Exc Rate 0.129549	843
Bank Overdraft		-		-		-
Bankers' Acceptance		-		1,580		1,580
Term Loan		5,426		281		5,707
Finance Lease and Hire Purchase Liabilities		-	SGD 7,512 Exc Rate 3.0403	23	SGD 7,512 Exc Rate 3.0403	23
Finance Lease and Hire Purchase Liabilities	THB 11,201,723 Exc Rate 0.129549	1,451	THB 3,281,969 Exc Rate 0.129549	425	THB 14,483,692 Exc Rate 0.129549	1,876
Finance Lease and Hire Purchase Liabilities		5,871		2,033		7,904
<b>Unsecured</b>						
Trust Receipts		-		-		-
		<b>14,248</b>		<b>5,186</b>		<b>19,434</b>

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(Incorporated in Malaysia)

**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS**  
**FOR THE FORTH QUARTER ENDED 30 APRIL 2019**

	As at 30 Apr 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		-	THB 4,634,860 Exc Rate 0.124303	576	THB 4,634,860 Exc Rate 0.124303	576
Bankers' Acceptance		-		3,090		3,090
Term Loan		5,693		268		5,961
Finance Lease and Hire Purchase Liabilities	SGD 4,791 Exc Rate 2.9597	14	SGD 15,732 Exc Rate 2.9597	47	SGD 20,523 Exc Rate 2.9597	61
Finance Lease and Hire Purchase Liabilities	THB 2,856,859 Exc Rate 0.124303	355	THB 2,715,972 Exc Rate 0.124303	338	THB 5,572,831 Exc Rate 0.124303	693
Finance Lease and Hire Purchase Liabilities		5,408		1,393		6,801
<b>Unsecured</b>						
Bankers' Acceptance		-		-		-
Trust Receipts		-		-		-
		<b>11,470</b>		<b>5,712</b>		<b>17,182</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 30 Apr 2019 and as at the date of announcement.

**B10. Dividend Payable**

No dividend has been proposed for the quarter ended 30 Apr 2019.

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**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS  
FOR THE FORTH QUARTER ENDED 30 APRIL 2019**

**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)	(2,602,427)
Weighted Average Number of Ordinary Shares	156,157,879
Basic Earnings/ (Loss) Per Share (Sen)	(1.67)
Weighted Average Number of Ordinary Shares (Diluted)	206,709,800
Diluted Earnings/ (Loss) Per Share (Sen)	(1.26)

**B12. Notes For Statement of Comprehensive Income**

		Period Ended	Period Ended
		Apr'2019	Apr'2018
		RM'000	RM'000
a)	Interest Income	56	304
b)	Other income including investment income	716	979
c)	Interest expense	1,254	1,020
d)	Depreciation and amortization	4,472	5,908
e)	Provision for and writing off of receivables	145	845
f)	Provision for and writing off of inventories	171	(194)
g)	Foreign exchange gain/ (loss)	(145)	(766)
h)	Impairment/ Writing off of plant & machinery	1,686	6,202