

**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 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 2019 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 2019.

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 2019.

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 2019.

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 on all trade receivables. 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.

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 2019 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.

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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 2019, the issued and paid up ordinary share capital of the company was RM48,663,340 and a total of 49,518,521 Warrants outstanding. The movements during the financial period were as follows:-

| Issued and Paid up Share Capital | Ordinary shares | RM |
|---|-----------------|-------------|
| As at 1 May 2019 | 164,433,704 | 48,425,658 |
| Warrants exercised | 1,033,400 | 237,682 |
| As at 31 July 2019 | 165,467,104 | 48,663,340 |
| 5 year Warrants 2015/2020 ("Warrants") | | Units |
| As at 1 May 2019 | | 50,551,921 |
| Exercised | | (1,033,400) |
| As at 31 July 2019 | | 49,518,521 |

As at 31 July 2019, no treasury shares were held in the company.

A8. Dividend Paid

No dividend was proposed or paid during the current quarter.

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A9. Segmental Information

Manufacturing Of Self Adhesive Stickers and Trading Of Related Products (31 July 2019)

| | Malaysia | Singapore | Thailand | Others | Elimination | Consolidation |
|-----------------------------------|----------|-----------|----------|--------|-------------|---------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 4,521 | 2,606 | 4,214 | 538 | (1,686) | 10,193 |
| Profit/ (Loss) | | | | | | (1,156) |
| Unallocated Expenses | | | | | | (253) |
| Interest Income | | | | | | 10 |
| Finance Costs | | | | | | (491) |
| Share of loss of associate | | | | | | - |
| Profit/ (Loss) before taxation | | | | | | (1,890) |
| Income Tax Expenses | | | | | | (250) |
| Net Profit/ (Loss) for the period | | | | | | (2,140) |

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 | | | | | | (355) |
| 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) |

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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 July 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 31 July 2019 , the Company has given a corporate guarantee of RM18.2 million to banks and financial institutions for banking facilities extended to its subsidiaries.

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**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.

Analysis of Current Quarter and Financial Year To Date Performance

| | Individual Period (1st quarter) | | Changes (%) | Cumulative Period (3 months) | | Changes (%) |
|---|------------------------------------|---|----------------|---------------------------------|---|----------------|
| | Current Year Quarter | Preceding Year Corresponding Quarter | | Current Year To- date | Preceding Year Corresponding Quarter | |
| | 31/07/2019 | 31/07/2018 | | 31/07/2019 | 31/07/2018 | |
| | RM'000 | RM'000 | | RM'000 | RM'000 | |
| Revenue | 10,193 | 12,367 | (17.6) | 10,193 | 12,367 | (17.6) |
| Profit/(Loss) Before Interest and Tax | (1,399) | (3,125) | (55.2) | (1,399) | (3,125) | (55.2) |
| Profit/(Loss) Before Tax | (1,890) | (3,414) | (44.6) | (1,890) | (3,414) | (44.6) |
| Profit/(Loss) After Tax | (2,140) | (3,414) | (37.3) | (2,140) | (3,414) | (37.3) |
| Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent | (2,140) | (3,414) | (37.3) | (2,140) | (3,414) | (37.3) |

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I) Analysis of Quarters Performance

For the current quarter ended 31 July 2019, the Group recorded a revenue of RM10.193 million compared to preceding year corresponding quarter of RM12.367 million; a decrease of RM2.174 million or 17.6%. The decrease in revenue was mainly due to the loss of customers and shrinkage of business regionally.

For the current quarter under review, the Group recorded a loss before tax of RM1.890 million compared to a loss before tax of RM3.414 million for the corresponding quarter last year. The decrease in loss was due to higher selling price, lower operating expenses and unrealized foreign currency exchange gain of RM0.176 million; where an unrealized foreign currency exchange loss of RM0.473 million had been recorded in preceding year corresponding quarter.

B2. Comparison with the Preceding Quarter's Results

| | Current Quarter | Immediate | Changes (%) |
|---|------------------|-------------------|-------------|
| | (3 months) ended | Preceding Quarter | |
| | 31/07/2019 | (3 months) ended | |
| | RM'000 | RM'000 | |
| Revenue | 10,193 | 10,271 | (0.8) |
| Profit/(Loss) Before Interest and Tax | (1,399) | (3,875) | (63.9) |
| Profit/(Loss) Before Tax | (1,890) | (4,193) | (54.9) |
| Profit/(Loss) After Tax | (2,140) | (2,602) | (17.8) |
| Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent | (2,140) | (2,602) | (17.8) |

The Group recorded a revenue of RM10.193 million as compared to RM10.271 million for the preceding quarter, representing a marginal decrease of RM0.078 million or 0.8%. The decrease in revenue was due to lower orders.

The Group recorded loss before tax of RM1.890 million compared to the loss before tax of RM4.193 million for the preceding quarter. A lower loss before tax was mainly due to lower operating expenses and unrealized foreign currency exchange gain of RM0.176 million; where an unrealized foreign currency exchange loss of RM0.073 million and an assets impairment of RM1.686 million had been recorded in preceding quarter.

The Group recorded loss after tax of RM2.140 million compared to the loss after tax of RM2.602 million for the preceding quarter. A lower loss after tax that recorded in the preceding quarter was mainly due to a reverse adjustment on tax provision and deferred tax that amounting to RM1.591 million in total.

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B3. Commentary of Prospects

The global trade tension has adversely impacted the economies of the global market.

As such, the Group has taken positive steps to improve sales by adopting more aggressive marketing strategy and cost savings exercise. However, barring any unforeseen circumstance, the Group is optimistic to improve its performance by the introduction of a new product line of machinery with more flexible packaging features in this 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.

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

| | Individual Period (3 months) | | Cumulative Year (3 months) | |
|------------------------|---------------------------------|---|-------------------------------|---|
| | Current Year Quarter | Preceding Year Corresponding Quarter | Current Year To- date | Preceding Year Corresponding Quarter |
| | 31/07/2019 | 31/07/2018 | 31/07/2019 | 31/07/2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income Tax | | | | |
| - Current tax expenses | 94 | - | 94 | - |
| - Deferred tax | 156 | - | 156 | - |
| | 250 | - | 250 | - |

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 July 2019 | | | | | |
|---|---|---------------------|--|---------------------|---|---------------------|
| | 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 5,608,758 Exc Rate 0.134325 | 753 | THB 5,608,758 Exc Rate 0.134325 | 753 |
| Bank Overdraft | | - | | 427 | | 427 |
| Bankers' Acceptance | | - | | 1,012 | | 1,012 |
| Term Loans | | 6,104 | | 367 | | 6,471 |
| Finance Lease and Hire Purchase Liabilities | | - | SGD 4,259 Exc Rate 2.9858 | 13 | SGD 4,259 Exc Rate 2.9858 | 13 |
| Finance Lease and Hire Purchase Liabilities | THB 10,344,639 Exc Rate 0.134325 | 1,390 | THB 3,340,008 Exc Rate 0.134325 | 449 | THB 14,483,692 Exc Rate 0.129549 | 1,839 |
| Finance Lease and Hire Purchase Liabilities | | 5,340 | | 2,071 | | 7,411 |
| Unsecured | | | | | | |
| Loans | | - | | 1,604 | | 1,604 |
| | | 12,834 | | 6,696 | | 19,530 |

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| | 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 | THB 4,160,762 Exc Rate 0.122145 | 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 | | | | | | |
| Bankers' Acceptance | | - | | - | | - |
| Trust Receipts | | - | | - | | - |
| | | 10,984 | | 5,110 | | 16,094 |

As compared to corresponding quarter of preceding year, the increase of the hire purchase liabilities was due to additional finance leases for newly acquired machineries; while, the increase of term loans and loans were due to working capital needs. 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 2019 and as at the date of announcement.

B10. Dividend Payable

No dividend has been proposed or paid for the quarter ended 31 July 2019.

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B11. Earnings Per Share (EPS)

The calculation of basic earnings/(loss) per share is based on the net profit/(loss) attributable to ordinary shareholders of the parent and the weighted average number of ordinary shares in issue during the period.

| | 3 Months Ended 31 July 2019 | 3 Months Ended 31 July 2018 |
|---|--|--|
| Profit/ (Loss) attributable to Shareholders (RM) | (2,139,825) | (3,413,899) |
| Weighted Average Number of Ordinary Shares | 165,350,604 | 155,786,621 |
| Basic Earnings/ (Loss) Per Share (Sen) | (1.29) | (2.10) |
| Weighted Average Number of Ordinary Shares (Diluted) | 214,869,125 | 206,338,542 |
| Diluted Earnings/ (Loss) Per Share (Sen) | (1.00) | (1.65) |

B12. Notes For Statement of Comprehensive Income

| | | 3 Months Ended | 3 Months Ended |
|----|--|---------------------------|---------------------------|
| | | 31 July 2019 | 31 July 2018 |
| | | RM'000 | RM'000 |
| a) | Interest Income | 10 | 32 |
| b) | Other income including investment income | 312 | 217 |
| c) | Interest expense | 478 | 288 |
| d) | Depreciation and amortization | 1,051 | 1,123 |
| e) | Provision for and writing off of receivables | 48 | - |
| f) | Provision for and writing off of inventories | - | - |
| g) | Foreign exchange gain/ (loss) | 176 | (473) |
| h) | Impairment/ Writing off of plant & machinery | - | - |
| i) | Expected credit loss | 100 | - |

