

**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS  
FOR THE FOURTH QUARTER ENDED 30 APRIL 2020**

**A1. Basis of preparation**

The interim financial report is unaudited and has been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 and Appendix 9B of Bursa Malaysia Securities Berhad Main Market Listing Requirements.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 April 2019 which were prepared under Malaysian Financial Reporting Standards (“MFRS”). These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an 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 adopted in the preparation of the interim financial statements are consistent with those adopted for the annual audited financial statements for the financial year ended 30 April 2019, except for the adoption of the following new MFRS, amendments to MFRSs and IC Interpretation that are effective for the financial statements effective from 1 May 2019, as disclosed below:

MFRS 16	Leases
Amendments to MFRS 9	Prepayments Features with Negative Compensation
Amendments to MFRS 119	Plan Amendments, Curtailment or Settlement
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Payments
Annual Improvements to MFRSs 2015 – 2017 Cycle	

The adoption of these new MFRS, Amendments to MFRSs and IC Interpretation does not have significant impact on the financial statements of the Group, except as disclosed below:

**MFRS 16: Leases**

MFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities, except for short-term leases and leases of low value assets. A lessee is required to recognise a right-of-use (“ROU”) asset representing its rights to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The Standard will affect primarily the accounting for the Group leases previously recognised as operating leases under MFRS 117 Leases.

At the date of initial application, all ROU assets are measured at an amount equal to the lease liabilities measured at present value of the remaining lease payments discounted using the incremental borrowing rate at the date of initial application. The Group adopted the simplified transition approach and did not restate comparative amounts for the financial year prior to first adoption. ROU assets for property leases will be measured on transition as if the new rules had always been applied.

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The Group elects to use the exemptions proposed by the standard on lease contracts for which the lease term ends within 12 months as of the date of initial application, and lease contracts for which the underlying assets are of low value. The Group entered into low value assets leases in respect of equipment.

The adoption of MFRS 16 has the following impacts:

a) To the opening balance as of 1 May 2019

NIL

b) To the unaudited Consolidated Financial Statements for the financial year ending 30 April 2020:

(i) On the Consolidated Income Statement, expenses which were previously included under operating leases will be replaced by finance costs-lease liabilities and depreciation of right use asset; and

(ii) On the Consolidated Cash Flow Statement, operating lease rental outflows, previously recorded within net cash flow from operating activities, are classified as “net cash flow used in financing activities” for repayment of principal of lease liabilities.

**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.

**A5. Exceptional / Extraordinary Items**

There were no exceptional or extraordinary items for the current quarter except as disclosed in the notes to this report.

**A6. Changes in Estimates**

There were no significant changes in estimates of the amounts reported in the prior financial years that have a materials effect in the current quarter.

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**A7. Debts and Equity Securities**

As at 30 April 2020, the issued and paid up ordinary share capital of the Company was RM57,890,822 and the 2015/2020 Warrants were expired on 21 January 2020. Their movements during the financial year were as follows:-

<b>Issued and Paid up Share Capital</b>	<b>Unit of Ordinary Share</b>	<b>RM</b>
As at 1 May 2019	164,433,704	48,425,658
Warrants exercised	41,152,889	14,363,417
As at 30 April 2020	205,586,593	62,789,075

<b>5 year Warrants 2015/2020 ("Warrants")</b>	<b>Units</b>
As at 1 May 2019	50,551,921
Exercised	(41,152,889)
Lapsed	(9,399,032)
As at 30 April 2020	NIL

As at 30 April 2020, the number of treasury shares held were 10,000 ordinary shares at a total costs of RM3,547. There was no share buy-back during the current quarter.

**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 (30 April 2020)**

	Malaysia	Singapore	Thailand	Others	Elimination	Consolidation
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	17,077	9,170	17,491	1,699	(5,884)	39,553
Profit/ (Loss)						(7,767)
Unallocated Expenses						(1,395)
Interest Income						53
Finance Costs						(1,343)
Share of loss of associate						-
Profit/ (Loss) before taxation						(10,452)
Income Tax Expenses						(349)
Net Profit/ (Loss) for the period						(10,801)

**Manufacturing Of Self Adhesive Stickers and Trading Of Related Products (30 April 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)						(8,619)
Unallocated Expenses						(1,273)
Interest Income						56
Finance Costs						(1,254)
Share of loss of associate						-
Profit/ (Loss) before taxation						(11,090)
Income Tax Expenses						1,243
Net Profit/ (Loss) for the period						(9,847)

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**A10. Property, Plant And Equipment**

During the year, the Group had revalued its land and buildings and resulted in a revaluation reserve of RM3.8 million.

**A11. Material Events Subsequent to the Interim Period**

There were no material events subsequent to the quarter ended 30 April 2020 except as disclosed in this report.

**A12. Changes in the Composition of the Group**

There were no changes in the composition of the Group except for an incorporation of a new wholly owned subsidiary, Komark Mask Sdn. Bhd on 15 June 2020.

**A13. Change in Contingent Liabilities or Contingent Assets**

As at 30 April 2020, the Company has given corporate guarantee of RM15.988 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 and other related products 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 (4th quarter)		Changes (%)	Cumulative Year		Changes (%)
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year	Preceding Year	
	30/04/2020 RM'000	30/04/2019 RM'000		30/04/2020 RM'000	30/04/2019 RM'000	
Revenue	9,691	10,271	(5.6)	39,553	47,743	(17.2)
Profit/(Loss) Before Interest and Tax	(3,032)	(4,001)	(24.2)	(9,109)	(9,836)	(7.4)
Profit/(Loss) Before Tax	(3,296)	(4,319)	(23.7)	(10,452)	(11,090)	(5.8)
Profit/(Loss) After Tax	(2,958)	(3,297)	(10.3)	(10,801)	(9,847)	9.7
Profit/(Loss) Attributable to Holders of the Parent	(2,958)	(3,297)	(10.3)	(10,801)	(9,847)	9.7

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**I) Analysis of Quarters Performance**

For the current quarter ended 30 April 2020, the Group recorded a revenue of RM9.691 million compared to preceding year corresponding quarter of RM10.271 million; a decrease of RM0.58 million or 5.6%. The decrease in revenue was mainly due to the loss of customers, shrinkage of business regionally and outbreak of Coronavirus ("Covid 19") pandemic.

For the current quarter under review, the Group recorded a loss before tax of RM3.296 million compared to a loss before tax of RM4.319 million for the preceding year corresponding quarter. The decrease in loss was mainly due to the writing off plant and equipment of RM1.686 million that recorded in the preceding year corresponding quarter.

**II) Analysis of Financial Year Performance**

For the current financial year ended 30 April 2020, the Group recorded a cumulative revenue of RM39.553 million compared to preceding year of RM47.743 million; a decrease of RM8.190 million or 17.2%. The decrease in revenue was mainly due to the loss of customers, shrinkage of business regionally and the outbreak of Covid 19 pandemic.

For the current financial year under review, the Group recorded an accumulated loss before tax of RM10.452 million compared to a loss before tax of RM11.09 million for the preceding year. The decrease in loss was mainly due to the writing off plant and equipment of RM1.686 million that recorded in the preceding year.

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

	Current Quarter	Immediate	Changes (%)
	30/04/2020	Preceding Quarter	
	RM'000	31/01/2020	
	RM'000	RM'000	
Revenue	9,691	9,805	(1.2)
Profit/(Loss) Before Interest and Tax	(3,032)	(2,687)	12.8
Profit/(Loss) Before Tax	(3,296)	(3,005)	9.7
Profit/(Loss) After Tax	(2,958)	(3,187)	(7.2)
Profit/(Loss) Attributable to Ordinary Equity Holders	(2,958)	(3,187)	(7.2)

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The Group recorded a revenue of RM9.691 million as compared to RM9.805 million for the preceding quarter, representing a marginal decrease of RM0.114 million or 1.2%. The decrease in revenue was due to slow in demands as a result of the outbreak of Covid 19 pandemic.

The Group recorded loss before tax of RM3.296 million compared to the loss before tax of RM3.005 million for the preceding quarter. A marginally higher loss before tax was mainly due to higher realized and unrealized foreign currency exchange loss of RM0.335 million compared to RM0.123 million that recorded in the preceding quarter.

**B3. Commentary of Prospects**

The trade war between USA and China and the outbreak of Coronavirus Covid-19 pandemic and restrictive measures taken by respective governments have caused uncertainties and anxieties in the global market; as a result, the customers have taken a more cautious and pessimistic view in placing their orders.

The Group has taken steps to improve sales, through adopting more aggressive marketing strategies and re-engaging with the previous customers. The Group has also taken positive all necessary measures to reduce other operating expenses. The Group is also optimistic to improve sales with the newly invested machineries with more flexible packaging features during the current and ensuing financial years.

The Covid-19 pandemic has an adverse impact on the performance and the cash flows of the Group.

Barring the unforeseen circumstance, the performance of the Group in the forthcoming financial year is challenging.

**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	(79)	68
- Deferred tax	(259)	281
<b>Total</b>	<b>(338)</b>	<b>349</b>

**B7. Status of Corporate Proposal**

On 16 June 2020, the Company announced that it proposes to undertake the following:-

- (i) proposed diversification of the business of Komarkcorp Berhad (“**Komarkcorp**” or the “**Company**”) and its subsidiaries to include the manufacturing and sale of face masks (“**Proposed Diversification**”); and
- (ii) proposed private placement of new ordinary shares in Komarkcorp of up to 30% of the total number of issued shares (excluding treasury shares) of the Company to independent third party investor(s) to be identified later and at an issue price to be determined later (“**Placement Shares**”) (“**Proposed Private Placement**”).

The Proposed Diversification and Proposed Private Placement are collectively known as the “**Proposals**”.

The application in relation to the Proposals will be submitted to Bursa Securities in due course. The Proposals are also subject to approval from the shareholders of the Company at an extraordinary general meeting (“**EGM**”) to be convened.

Other than as stated above, the Company did not announce any corporate proposals from the date of last quarterly report to the date of this announcement.

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**B8. Group's Bank Borrowings and Debt Securities**

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

	As at 30 April 2020					
	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 10,165,296 Exc Rate 0.133076	1,353	THB 10,165,296 Exc Rate 0.133076	1,353
Bank Overdraft				212		212
Bankers' Acceptance		-		851		851
Term Loan		5,824		390		6,214
Finance Lease and Hire Purchase Liabilities	THB 6,886,020 Exc Rate 0.133076	916	THB 2,707,936 Exc Rate 0.133076	360	THB 10,241,449 Exc Rate 0.131539	1,276
Finance Lease and Hire Purchase Liabilities		3,873		1,999		5,872
<b>Unsecured</b>						
Bankers' Acceptance		-		-		-
Term Loan		-		-		-
<b>Total</b>		<b>10,613</b>		<b>5,165</b>		<b>15,778</b>

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	As at 30 April 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		5,655		2,250		7,905
<b>Unsecured</b>						
Loans		1,500		-		1,500
<b>Total</b>		<b>14,032</b>		<b>5,402</b>		<b>19,434</b>

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 April 2020 to the date of this announcement.

**B10. Dividend Payable**

No dividend has been proposed or paid for the quarter ended 30 April 2020.

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**B11. Loss Per Share (LPS)**

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

	<b>Current Quarter</b>
Loss attributable to Shareholders of Parent (RM)	(2,957,764)
Weighted Average Number of Ordinary Shares (unit)	182,914,057
Basic Loss Per Share (Sen)	(1.62)

**B12. Notes to the Statement of Comprehensive Income/(Loss)**

		Year Ended	Year Ended
		April 2020	April 2019
		RM'000	RM'000
a)	Interest Income	(53)	(65)
b)	Other income including investment income	(893)	(707)
c)	Interest expense	1,343	1,254
d)	Depreciation and amortization	4,538	4,402
e)	Provision for and writing off of amount due by associates company	35	407
f)	(Reversal)/allowance for slow moving inventories	176	171
g)	Realised/unrealised foreign exchange gain/(loss)	(569)	4
h)	Impairment/ Writing off of plant & machinery	-	1,685
i)	Allowance/(Reversal) of expected credit loss	(163)	(21)
j)	Impairment loss on trade receivables	63	(268)
k)	Provision for & writing off of receivables	(8)	-
l)	Provision for long term employee benefits	319	-
m)	Written off of inventories	-	259
n)	Written off of bad debts	-	3