

KOMARKCORP BERHAD
AND ITS SUBSIDIARIES
Company No.: 199601001919 (374265 - A)
Incorporated in Malaysia
INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 July 2020

(The figures have not been audited)

	Current Qtr Ended 31/07/2020 RM'000	Comparative Qtr Ended 31/07/2019 RM'000	3 months Cumulative 31/07/2020 RM'000	3 months Cumulative 31/07/2019 RM'000
Revenue	8,680	10,193	8,680	10,193
Cost of sales	(8,091)	(8,920)	(8,091)	(8,920)
Gross Profit	589	1,273	589	1,273
Other income	389	322	389	322
Employee benefits expenses	(1,089)	(1,966)	(1,089)	(1,966)
Other operating expenses	(1,158)	(1,028)	(1,158)	(1,028)
Finance costs	(221)	(491)	(221)	(491)
Loss before tax	(1,490)	(1,890)	(1,490)	(1,890)
Income tax expense	(78)	(250)	(78)	(250)
Loss after tax	(1,568)	(2,140)	(1,568)	(2,140)
Other Comprehensive Income/(Loss)				
Exchange differences on translating foreign operations	151	238	151	238
	<u>151</u>	<u>238</u>	<u>151</u>	<u>238</u>
Total Comprehensive Loss for the period	(1,417)	(1,902)	(1,417)	(1,902)
Loss attributable to:				
Equity holders of the parent	(1,568)	(2,140)	(1,568)	(2,140)
Non-controlling interests	-	-	-	-
	<u>(1,568)</u>	<u>(2,140)</u>	<u>(1,568)</u>	<u>(2,140)</u>
Total Comprehensive Loss attributable to:				
Equity holders of the parent	(1,417)	(1,902)	(1,417)	(1,902)
Non-controlling interests	-	-	-	-
	<u>(1,417)</u>	<u>(1,902)</u>	<u>(1,417)</u>	<u>(1,902)</u>
Basic Losses per Ordinary Share (sen)	(0.76)	(1.54)	(0.76)	(1.54)
Diluted Losses per Ordinary Share (sen)	N/A	-*	N/A	-*

This statement should be read in conjunction with the notes to interim financial report and the Company's Annual Financial Statements for the year ended 30 April 2020.

* Anti-dilutive in nature

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2020

(The figures have not been audited)

	AS AT 31/07/2020	AS AT 30/04/2020 (Audited)
	RM'000	RM'000
ASSETS		
Non-current Assets		
Property, Plant and Equipment	65,111	65,942
Right of Use Assets	1,082	1,207
Deferred Tax Assets	55	55
Goodwill on Consolidation	1,750	1,750
	<u>67,998</u>	<u>68,954</u>
Current Assets		
Inventories	3,647	3,624
Trade and Other Receivables	8,910	8,935
Tax Recoverable	174	174
Cash and Bank Balances	2,926	2,846
	<u>15,657</u>	<u>15,579</u>
Total Assets	<u>83,655</u>	<u>84,533</u>
EQUITY AND LIABILITIES		
Equity attributable to the equity holders of the parent		
Share Capital	62,789	62,789
Treasury Shares, at cost	(4)	(4)
Reserves	(7,272)	(5,855)
Total Equity	<u>55,513</u>	<u>56,930</u>
Non-current liabilities		
Bank Borrowings	10,328	10,441
Leases Obligation	43	718
Post Employment Benefits	1,046	1,033
Deferred tax liabilities	778	767
	<u>12,195</u>	<u>12,959</u>
Current Liabilities		
Trade and Other Payables	8,986	8,781
Leases Obligation	1,058	501
Bank Borrowings	5,831	5,357
Taxation	72	5
	<u>15,947</u>	<u>14,644</u>
Total Liabilities	<u>28,142</u>	<u>27,603</u>
Total Equity And Liabilities	<u>83,655</u>	<u>84,533</u>
Net Assets per Share (RM)	0.27	0.28

This statement should be read in conjunction with the notes to interim financial report and the Company's Annual Financial Statements for the year ended 30 April 2020.

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**Condensed Consolidated Statements of Changes in Equity
For the period ended 31 July 2020**

	Attributable to Equity Holders of the Parent								
	Share Capital RM'000	Treasury Shares RM'000	Non-distributable				Distributable		
			General Reserve RM'000	Translation Reserve RM'000	Revaluation Surplus on PPE RM'000	Capital Reserve RM'000	Warrant Reserve RM'000	Accumulated Losses RM'000	Total RM'000
At 1st May 2020	62,789	(4)	361	659	15,274	33,882	-	(56,031)	56,930
Total comprehensive income/(loss) for the period	-	-	-	151	-	-	-	(1,568)	(1,417)
As at 31st July 2020	62,789	(4)	361	810	15,274	33,882	-	(57,599)	55,513
At 1st May 2019	48,425	-	361	433	11,854	33,882	6,017	(46,502)	54,470
Total comprehensive income/(loss) for the period	-	-	-	238	-	-	-	(2,140)	(1,902)
Issuance of ordinary shares pursuant to exercise of warrants	238	-	-	-	-	-	(123)	123	238
As at 31st July 2019	48,663	-	361	671	11,854	33,882	5,894	(48,519)	52,806

This statement should be read in conjunction with the notes to interim financial report and the Company's Annual Financial Statements for the year ended 30 April 2020.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 July 2020

(The figures have not been audited)

	Period ended	
	31/07/2020	31/07/2019
	RM'000	RM'000
Cash Flows from Operating Activities		
Loss Before Taxation	(1,490)	(1,890)
Adjustments for:		
Allowance for slow moving inventories	15	-
Depreciation of property, plant and equipment	1,268	1,051
Unrealised (gain) on foreign exchange, net	(65)	(176)
Interest expense	221	478
Interest income	(9)	(10)
(Reversal) of provision for gratuity payment	(638)	-
Allowance for provision for doubtful debts	20	48
(Reversal)/Allowance of expected credit losses	(8)	100
Operating loss before working capital changes	(686)	(399)
Decrease/ (Increase) in inventory	45	(214)
Decrease in receivables	87	677
Increase in payables	596	687
Cash used in Operations	42	751
Interest Income	9	10
Interest Paid	(221)	(478)
Cash Used in Operating Activities	(170)	283
Cash Flows from Investing Activities		
Acquisition of Property, Plant and Equipment	(21)	(285)
Net Cash Used in Investing Activities	(21)	(285)
Cash Flows from Financing Activities		
Proceeds from warrant shares conversion	-	238
(Repayment) of lease obligations	(118)	-
Drawdown of Term Loans and other Borrowings	895	-
(Repayment) of Term Loans and other Borrowings	(833)	(338)
Net Cash Generated from Financing Activities	(56)	(100)
Net (Decrease)/Increase in Cash and Cash Equivalents	(247)	(102)
Effect of exchange rate changes	68	(144)
Cash and Cash Equivalents at Beginning of Period	417	1,278
Cash and Cash Equivalents at End of Period	(i) 238	1,032

(i) Cash and Cash Equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

<u>Continuing Operations</u>	RM' 000	RM' 000
Cash and Bank Balances	2,926	3,028
Less : Deposits pledged with licensed institutions	(845)	(816)
Bank Overdrafts	(1,843)	(1,180)
	238	1,032

This statement should be read in conjunction with the notes to interim financial report and the Company's Annual Financial Statements for the year ended 30 April 2020.

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**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 JULY 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 2020 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 2020.

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 2020, 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 2020, as disclosed below:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 3 Business Combinations - Definition of a Business	1 January 2020
Amendments to MFRS 16 Leases: Covid-19 Related Rent Concessions	1 June 2020

Adoption of the above standards and interpretations did not have any significant impact on the financial performance or position of the Group.

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Standards Issued but not yet Effective

The standards and interpretations that have been issued but not yet effective are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRS Standards 2018 – 2020	1 January 2022
Amendments to MFRS 116 Property, Plant & Equipment : Proceeds Before Intended Use	1 January 2022
Amendments to MFRS 137 Provision, Contingent Liabilities and Contingent Assets : Onerous Contracts-Cost of Fulfilling a Contract	1 January 2022
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 101 Presentation of Financial Statements : Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 10 and MFRS 128 : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

A3. Audit Report

The audit report for the financial statements of the Group for the financial year ended 30 April 2020 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 31 July 2020, the issued and paid up ordinary share capital of the Company was RM62,789,075. The details were as follows:-

Issued and Paid up Share Capital	Unit of Ordinary Share	RM
As at 1 May 2020/ 31 July 2020	205,586,593	62,789,075

As at 31 July 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.

A9. Segmental Information

Manufacturing Of Self Adhesive Stickers and Trading Of Related Products for the Quarter Ended 31 July 2020

	Malaysia	Singapore	Thailand	Indonesia	Elimination	Consolidation
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	3,773	1,557	4,045	297	(992)	8,680
Profit/ (Loss)						(698)
Unallocated Expenses						(580)
Interest Income						9
Finance Costs						(221)
Share of loss of associate						-
Profit/ (Loss) before taxation						(1,490)
Income Tax Expenses						(78)
Net Profit/ (Loss) for the period						(1,568)

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**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
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**Manufacturing Of Self Adhesive Stickers and Trading Of Related Products for the Quarter
ended 31 July 2019**

	Malaysia	Singapore	Thailand	Indonesia	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)

A10. Property, Plant And Equipment

The Group had revalued its' land and building during the financial year 2020 based on valuations carried out by an independent professional valuer on an open market value basis during that financial year.

A11. Material Events Subsequent to the Interim Period

There were no material events subsequent to the quarter ended 31 July 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 31 July 2020, the Company has given corporate guarantee of RM16.429 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 Period To Date Performance

	Individual Period (1st quarter)		Changes (%)	Cumulative Period		Changes (%)
	Current Quarter	Preceding Corresponding Quarter		Current To-date	Preceding Corresponding Period	
	31/07/2020 RM'000	31/07/2019 RM'000		31/07/2020 RM'000	31/07/2019 RM'000	
Revenue	8,680	10,193	(14.8)	8,680	10,193	(14.8)
(Loss) Before Interest and Tax	(1,269)	(1,399)	(9.3)	(1,269)	(1,399)	(9.3)
(Loss) Before Tax	(1,490)	(1,890)	(21.2)	(1,490)	(1,890)	(21.2)
(Loss) After Tax	(1,568)	(2,140)	(26.7)	(1,568)	(2,140)	(26.7)
(Loss) Attributable to Holders of the Parent	(1,568)	(2,140)	(26.7)	(1,568)	(2,140)	(26.7)

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**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 JULY 2020**

I) Analysis of Quarters Performance

For the current quarter ended 31 July 2020, the Group recorded a revenue of RM8.680 million compared to preceding year corresponding quarter of RM10.193 million; a decrease of RM1.513 million or 14.84%. The decrease in revenue was mainly due to the reduction of orders by customers following the outbreak of Coronavirus ("Covid 19") pandemic.

For the current quarter under review, the Group recorded a loss before tax of RM1.490 million compared to a loss before tax of RM1.890 million for the preceding year corresponding quarter. The decrease in loss was mainly due to the reversal of gratuity payment provision that amounting to RM0.638 million during the current quarter.

B2. Comparison with the Preceding Quarter's Results

	Current Quarter 31/07/2020	Immediate Preceding Quarter 30/04/2020	Changes (%)
	RM'000	RM'000	
Revenue	8,680	9,685	(10.4)
(Loss) Before Interest and Tax	(1,269)	(2,788)	(54.5)
(Loss) Before Tax	(1,490)	(3,201)	(53.5)
(Loss) After Tax	(1,568)	(2,863)	(45.2)
(Loss) Attributable to Ordinary Equity Holders	(1,568)	(2,863)	(45.2)

The Group recorded a revenue of RM8.680 million as compared to RM9.685 million for the preceding quarter, representing a decrease of RM1.005 million or 10.4%. The decrease in revenue was due to the reduction of orders by customers following the outbreak of Coronavirus ("Covid 19") pandemic.

The Group recorded loss before tax of RM1.490 million compared to the loss before tax of RM3.201 million for the preceding quarter. A lower loss before tax was mainly due to the reversal of gratuity payment provision amounted to RM0.638 million and a lower realized foreign currency exchange loss of RM0.424 million during the current quarter. In addition, a post-employment benefits of RM0.350 had been provided in the preceding quarter.

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B3. Commentary of Prospects

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, our 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 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 Group had diversified into face masks manufacturing to improve the performance as stated in Note B7. With this new investment of face masks production, the Group expects new markets to be explored. The Group has targeted countries with high COVID-19 infection rates such as the United States of America, Europe, Africa, South America and India as the principal export markets. This will provide an additional and alternative source of income to the Group's current core business.

The overall severity and duration of COVID -related adverse impacts on the Company's businesses will depend on future developments which cannot be predicted. Even after the COVID outbreak has subsided, we may continue to experience material adverse impacts to the Company's businesses as a result of COVID's global economic impact, including any related recession.

The Group is also confident that its new venture of face masks can help to mitigate potential downside risk of the Group arising from the wide-ranging effects of the COVID pandemic to the local and global economy. Subject to the global demand of face masks, the Group may from time to time assess the manufacturing capacity of the face mask and may expand the production lines as required.

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.

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**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
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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 Quarter	Preceding Corresponding Quarter	Current To-date	Preceding Corresponding Quarter
	31/07/2020	31/07/2019	31/07/2020	31/07/2019
	RM'000	RM'000	RM'000	RM'000
Income Tax				
- Current tax expenses	67	94	67	94
- Deferred tax	11	156	11	156
	78	250	78	250

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**”.

These Proposals had been approved by the shareholders of the Company at an Extraordinary General Meeting that held on 5 August 2020.

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

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 31 July 2020					
	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 10,104,465 Exc Rate 0.135	1,365	THB 10,104,465 Exc Rate 0.135	1,365
Bank Overdraft				478		478
Bankers' Acceptance		-		980		980
Term Loan		5,747		397		6,144
Finance Lease and Hire Purchase Liabilities	THB 6,178,478.85 Exc Rate 0.135	835	THB 2,756,399.13 Exc Rate 0.135	372	THB 9,934,877.98 Exc Rate 0.135	1,207
Finance Lease and Hire Purchase Liabilities		3,746		2,239		5,985
Unsecured						
Bankers' Acceptance		-		-		-
Term Loan		-		-		-
Total		10,328		5,831		16,159

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	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

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 2020 to the date of this announcement.

B10. Dividend Payable

No dividend has been proposed or paid for the quarter ended 31 July 2020.

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**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 JULY 2020****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.

	Current Quarter	Preceding Corresponding Quarter
Loss attributable to Shareholders of Parent (RM)	(1,568,202)	(2,139,825)
Weighted Average Number of Ordinary Shares (unit)	205,586,593	165,350,604
Basic Loss Per Share (Sen)	(0.76)	(1.29)

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

		Period Ended	Period Ended
		July 2020	July 2019
		RM'000	RM'000
a)	Interest Income	(9)	(10)
b)	Other income including investment income	(380)	(312)
c)	Interest expense	221	478
d)	Depreciation and amortization	1,268	1,051
e)	Provision for and writing off of amount due by associates company	20	48
f)	(Reversal)/allowance for slow moving inventories	15	-
g)	Realised/unrealised foreign exchange (gain)/ loss	(65)	176
h)	Provision/(Reversal) of gratuity payment	(638)	-
i)	Allowance/(Reversal) of expected credit loss	(8)	100

