

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 January 2020

(The figures have not been audited)

	Current Qtr Ended 31/01/2020 RM'000	Comparative Qtr Ended 31/01/2019 RM'000	9 months Cumulative 31/01/2020 RM'000	9 months Cumulative 31/01/2019 RM'000
Revenue	9,805	12,634	29,862	37,472
Cost of sales	(9,470)	(10,945)	(27,756)	(34,628)
Gross Profit	<u>335</u>	<u>1,689</u>	<u>2,106</u>	<u>2,844</u>
Other income	55	175	909	649
Employee benefits expenses	(2,076)	(1,962)	(5,968)	(5,955)
Other operating expenses	(1,001)	(949)	(3,124)	(3,373)
Finance costs	(318)	(332)	(1,079)	(936)
Profit/(Loss) before tax	<u>(3,005)</u>	<u>(1,379)</u>	<u>(7,156)</u>	<u>(6,771)</u>
Income tax expense	(182)	35	(687)	221
Profit/(Loss) after tax	<u>(3,187)</u>	<u>(1,344)</u>	<u>(7,843)</u>	<u>(6,550)</u>
Other Comprehensive Income				
Transfer from warrant reserve upon expiry of warrants	1,119	-	1,119	-
Exchange difference on translating foreign operations	(110)	297	186	488
	<u>1,009</u>	<u>297</u>	<u>1,305</u>	<u>488</u>
Total Comprehensive Income/(Loss) for the period	<u>(2,178)</u>	<u>(1,047)</u>	<u>(6,538)</u>	<u>(6,062)</u>
Profit/ (Loss) attributable to:				
Equity holders of the parent	(3,187)	(1,344)	(7,843)	(6,550)
Non-controlling interests	-	-	-	-
	<u>(3,187)</u>	<u>(1,344)</u>	<u>(7,843)</u>	<u>(6,550)</u>
Total Comprehensive Income/ (Loss) attributable to:				
Equity holders of the parent	(2,178)	(1,047)	(6,538)	(6,062)
Non-controlling interests	-	-	-	-
	<u>(2,178)</u>	<u>(1,047)</u>	<u>(6,538)</u>	<u>(6,062)</u>
Basic Earnings/(Losses) per Ordinary Share (sen)	(1.74)	(0.87)	(4.29)	(4.24)
Diluted Earnings/(Losses) per Ordinary Share (sen)	(1.74)	(0.66)	(4.29)	(3.20)

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 2019.

**KOMARKCORP BERHAD
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Company No. : 199601001919 (374265 - A)

Incorporated in Malaysia

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 January 2020

(The figures have not been audited)

	AS AT 31/01/2020	AS AT 30/04/2019 (Audited)
	RM'000	RM'000
ASSETS		
Non-current Assets		
Property, Plant and Equipment	63,177	65,532
Right of Use Assets	1,296	-
Deferred Tax Assets	75	74
Goodwill on Consolidation	1,750	1,750
	<u>66,298</u>	<u>67,356</u>
Current Assets		
Inventories	3,737	3,534
Trade and Other Receivables	9,135	9,290
Tax Recoverable	-	317
Cash and Bank Balances	5,274	2,938
	<u>18,146</u>	<u>16,079</u>
Total Assets	<u>84,444</u>	<u>83,435</u>
EQUITY AND LIABILITIES		
Equity attributable to the equity holders of the parent		
Share Capital	57,891	48,425
Treasury Shares, at cost	(4)	-
Reserves	(1,612)	6,045
Total Equity	<u>56,275</u>	<u>54,470</u>
Non-current liabilities		
Bank Borrowings	11,150	14,032
Leases Obligation	911	-
Post Employment Benefits	964	714
Deferred tax liabilities	788	248
	<u>13,813</u>	<u>14,994</u>
Current Liabilities		
Trade and Other Payables	8,090	8,533
Leases Obligation	391	-
Bank Borrowings	5,322	5,402
Taxation	553	36
	<u>14,356</u>	<u>13,971</u>
Total Liabilities	<u>28,169</u>	<u>28,965</u>
Total Equity And Liabilities	<u>84,444</u>	<u>83,435</u>
Net Assets per Share (RM)	0.27	0.33

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 2019.

KOMARKCORP BERHAD**AND ITS SUBSIDIARIES**

Company No.: 199601001919 (374265 - A)

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INTERIM FINANCIAL STATEMENTS**Condensed Consolidated Statements of Changes in Equity
For the period ended 31 January 2020**

	Attributable to Equity Holders of the Parent						
	Non- distributable				Distributable		Total
	Share Capital RM'000	Treasury Shares RM'000	General Reserve RM'000	Translation Reserve RM'000	Revaluation Surplus on PPE RM'000	Capital Reserve RM'000	
At 1st May 2019	48,425	-	361	433	11,854	33,882	54,470
Retained Profits	-	-	-	-	-	-	(7,843)
Total comprehensive income/(loss) for the period	-	-	-	186	-	-	186
Purchases of treasury shares	-	(4)	-	-	-	-	(4)
Warrants exercised	9,466	-	-	-	-	(4,898)	9,466
Expiry of warrants	-	-	-	-	-	1,119	-
As at 31st January 2020	57,891	(4)	361	619	11,854	33,882	56,275
At 1st May 2018	48,425	(2,027)	361	28	11,287	33,882	61,936
Total comprehensive income/(loss) for the period	-	-	-	488	(26)	-	(6,088)
Purchases of treasury shares	-	(554)	-	-	-	-	(554)
As at 31st January 2019	48,425	(2,581)	361	516	11,261	33,882	55,294

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 2019.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 January 2020

(The figures have not been audited)

	9 months ended	
	31/01/2020	31/01/2019
	RM'000	RM'000
Cash Flows from Operating Activities		
(Loss)/ Profit Before Taxation	(7,156)	(6,771)
Adjustments for:		
Allowance/(reversal) for slow moving inventories	(130)	127
Provision for long term employee benefits	240	-
Depreciation of property, plant and equipment	3,214	3,355
Unrealised loss/ (gain) on foreign exchange, net	(479)	(87)
Interest expense	1,079	936
Interest income	(35)	(42)
(Reversal)/ allowance for expected credit loss	(106)	-
(Reversal)/ allowance for impairment losses: Amount due from associated co	20	420
Operating (loss)/ profit before working capital changes	(3,353)	(2,062)
(Increase)/ decrease in inventories	(398)	606
(Increase)/ decrease in receivables	740	749
Increase/ (decrease) in payables	697	3,154
Cash Generated from Operations	(2,314)	2,447
Income Taxes Paid	(129)	(192)
Interest Paid	(1,079)	(936)
Cash Generated from Operating Activities	(3,522)	1,319
Cash Flows from Investing Activities		
Acquisition of Property, Plant and Equipment	(1,815)	(6,894)
Interest Income	35	42
Share buy back	(4)	-
(Placement)/Withdrawal of Short Term Investment	-	3,099
(Placement)/Withdrawal of Pledged Deposits	-	(46)
Net Cash Used in Investing Activities	(1,784)	(3,799)
Cash Flows from Financing Activities		
Disposal /(Purchase) of Company's Shares	-	(554)
Proceeds from warrant shares conversion	9,465	-
Proceeds from lease obligations	1,302	-
Drawdown of Term Loans and other Borrowings	3,339	-
(Repayment) of Term Loans and other Borrowings	(6,704)	1,134
Net Cash Generated from Financing Activities	7,402	580
Net (Decrease)/Increase in Cash and Cash Equivalents	2,096	(1,900)
Effect of exchange rate changes	(346)	641
Cash and Cash Equivalents at Beginning of Period	1,278	1,842
Cash and Cash Equivalents at End of Period	(i) 3,028	583

(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	5,274	2,308
Less : Deposits pledged with licensed institutions	(816)	(775)
Bank Overdrafts	(1,430)	(950)
	3,028	583

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 2019.

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**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD QUARTER ENDED 31 JANUARY 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.

**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD QUARTER ENDED 31 JANUARY 2020**

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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**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD QUARTER ENDED 31 JANUARY 2020**

A7. Debts and Equity Securities

As at 31 January 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 period were as follows:-

Issued and Paid up Share Capital	Unit of Ordinary Share	RM
As at 1 May 2019	164,433,704	48,425,658
Warrants exercised	41,152,889	9,465,164
As at 31 January 2020	205,586,593	57,890,822

5 year Warrants 2015/2020 ("Warrants")	Units
As at 1 May 2019	50,551,921
Exercised	(41,152,889)
Lapsed	(9,399,032)
As at 31 January 2020	NIL

As at 31 January 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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**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
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A9. Segmental Information

Manufacturing Of Self Adhesive Stickers and Trading Of Related Products (31 Jan' 2020)

	Malaysia	Singapore	Thailand	Others	Elimination	Consolidation
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	13,161	7,266	12,776	1,452	(4,793)	29,862
Profit/ (Loss)						(5,229)
Unallocated Expenses						(883)
Interest Income						35
Finance Costs						(1,079)
Share of loss of associate						-
Profit/ (Loss) before taxation						(7,156)
Income Tax Expenses						(687)
Net Profit/ (Loss) for the period						(7,843)

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

	Malaysia	Singapore	Thailand	Others	Elimination	Consolidation
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	15,914	6,649	15,590	2,593	(3,275)	37,472
Profit/ (Loss)						(4,983)
Unallocated Expenses						(895)
Interest Income						42
Finance Costs						(936)
Share of loss of associate						-
Profit/ (Loss) before taxation						(6,771)
Income Tax Expenses						221
Net Profit/ (Loss) for the period						(6,550)

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A10. Property, Plant And Equipment

The revalued carrying value 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 January 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.

A13. Change in Contingent Liabilities or Contingent Assets

As at 31 January 2020, the Company has given a corporate guarantee of RM16.682 million to banks and financial institutions for banking facilities extended to its subsidiaries.

**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD QUARTER ENDED 31 JANUARY 2020**

**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 (3rd quarter)		Changes (%)	Cumulative Year		Changes (%)
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To- date	Preceding Year Corresponding Quarter	
	31/01/2020 RM'000	31/01/2019 RM'000		31/01/2020 RM'000	31/01/2019 RM'000	
Revenue	9,805	12,634	(22.4)	29,862	37,472	(20.3)
Profit/(Loss) Before Interest and Tax	(2,687)	(1,047)	156.6	(6,077)	(5,835)	4.1
Profit/(Loss) Before Tax	(3,005)	(1,379)	117.9	(7,156)	(6,771)	5.7
Profit/(Loss) After Tax	(3,187)	(1,344)	137.1	(7,843)	(6,550)	19.7
Profit/(Loss) Attributable to Holders of the Parent	(3,187)	(1,344)	137.1	(7,843)	(6,550)	19.7

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**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD QUARTER ENDED 31 JANUARY 2020**

I) Analysis of Quarters Performance

For the current quarter ended 31 January 2020, the Group recorded a revenue of RM9.805 million compared to preceding year corresponding quarter of RM12.634 million; a decrease of RM2.829 million or 22.4%. 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 RM3.005 million compared to a loss before tax of RM1.379 million for the corresponding quarter last year. The increase in loss was mainly due to the lower revenue and gross profit margin and the realized and unrealized foreign currency exchange loss of RM0.123 million compared to the realized and unrealized foreign currency exchange gain of RM0.355 million that recorded in the corresponding quarter last year.

II) Analysis of 9 months Performance

For the current period ended 31 January 2020, the Group recorded a cumulative revenue of RM29.862 million compared to preceding year corresponding period of RM37.472 million; a decrease of RM7.610 million or 20.3%. The decrease in revenue was mainly due to the loss of customers and shrinkage of business regionally.

For the current period under review, the Group recorded an accumulated loss before tax of RM7.156 million compared to a loss before tax of RM6.771 million for the corresponding period last year. The increase in loss was due to lower revenue with competitive margins.

B2. Comparison with the Preceding Quarter's Results

	Current Quarter 31/01/2020	Immediate Preceding Quarter 31/10/2019	Changes (%)
	RM'000	RM'000	
Revenue	9,805	9,864	(0.6)
Profit/(Loss) Before Interest and Tax	(2,687)	(1,991)	35.0
Profit/(Loss) Before Tax	(3,005)	(2,261)	32.9
Profit/(Loss) After Tax	(3,187)	(2,516)	26.7
Profit/(Loss) Attributable to Ordinary Equity Holders	(3,187)	(2,516)	26.7

The Group recorded a revenue of RM9.805 million as compared to RM9.864 million for the preceding quarter, representing a marginal decrease of RM0.059 million or 0.6%. The decrease in revenue was due to lower orders.

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The Group recorded loss before tax of RM3.005 million compared to the loss before tax of RM2.261 million for the preceding quarter. A higher loss before tax was mainly due to the realized and unrealized foreign currency exchange loss of RM0.123 million compared to the realized and unrealized foreign currency exchange gain of RM0.424 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) 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. The Group has also taken positive all necessary steps 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 adverse impact from the outbreak of Coronavirus ("Covid-19) on the performance and the cash flows has yet to determined by the Group and the Company in the following quarters.

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

	Current Quarter (RM'000)	Year to date (RM'000)
Income Tax		
- Current tax expenses	6	147
- Deferred tax	176	540
Total	182	687

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**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD QUARTER ENDED 31 JANUARY 2020**

B7. Status of Corporate Proposal

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 January 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 8,687,671 Exc Rate 0.131539	1,143		1,143
Bank Overdraft				287		287
Bankers' Acceptance		-		989		989
Term Loan		5,911		383		6,294
Finance Lease and Hire Purchase Liabilities	THB 7,581,123 Exc Rate 0.131539	997	THB 2,660,327 Exc Rate 0.131539	350	THB 10,241,449 Exc Rate 0.131539	1,347
Finance Lease and Hire Purchase Liabilities		4,242		2,153		6,395
Unsecured						
Bankers' Acceptance		-		-		-
Term Loan		-		17		17
Total		11,150		5,322		16,472

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	As at 31 January 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 3,843,893 Exc Rate 0.130959	503	THB 3,843,893 Exc Rate 0.130959	503
Bank Overdraft		-		447		447
Bankers' Acceptance		-		1,640		1,640
Term Loan		5,494		278		5,772
Finance Lease and Hire Purchase Liabilities		-	SGD 10,765 Exc Rate 3.0383	33	SGD 10,765 Exc Rate 3.0383	33
Finance Lease and Hire Purchase Liabilities	THB 12,043,921 Exc Rate 0.130959	1,577	THB 3,169,909 Exc Rate 0.130959	422	THB 15,268,860 Exc Rate 0.130959	2,000
Finance Lease and Hire Purchase Liabilities		6,395		1,993		8,387
Unsecured						
Loans		-		-		-
Total		13,466		5,316		18,782

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 January 2020 to the date of this announcement.

B10. Dividend Payable

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

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**NOTES TO THE INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD QUARTER ENDED 31 JANUARY 2020**

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.

	Current Quarter
Profit/ (Loss) attributable to Shareholders of Parent (RM)	(3,087,522)
Weighted Average Number of Ordinary Shares (unit)	182,914,057
Basic Earnings/ (Loss) Per Share (Sen)	(1.69)

B12. Notes to the Statement of Comprehensive Income

		Period Ended January 2020 RM'000	Period Ended January 2019 RM'000
a)	Interest Income	(35)	(42)
b)	Other income including investment income	(258)	(607)
c)	Interest expense	1,079	936
d)	Depreciation and amortization	3,214	3,355
e)	Provision for and writing off of amount due by associates company	20	420
f)	(Reversal)/allowance for slow moving inventories	(130)	127
g)	Realised/unrealised foreign exchange gain/ (loss)	493	(28)
h)	Impairment/ Writing off of plant & machinery	-	-
i)	Reversal of expected credit loss	(106)	-
j)	Provision for long term employee benefits	240	-

