

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE 1ST QUARTER ENDED 31 MARCH 2015**
(The figures have not been audited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	<u>CURRENT YEAR QUARTER 31/03/15 RM'000</u>	<u>PRECEDING YEAR CORRESPONDING QUARTER 31/03/14 RM'000</u>	<u>CURRENT YEAR TO DATE 31/03/15 RM'000</u>	<u>PRECEDING YEAR CORRESPONDING PERIOD 31/03/14 RM'000</u>
REVENUE	33,966	31,029	33,966	31,029
COST OF SALES	<u>(29,173)</u>	<u>(26,657)</u>	<u>(29,173)</u>	<u>(26,657)</u>
GROSS PROFIT	4,793	4,372	4,793	4,372
OTHER INCOME	353	155	353	155
ADMINISTRATIVE AND OPERATING EXPENSES	(2,866)	(2,598)	(2,866)	(2,598)
FINANCE COSTS	(3)	(5)	(3)	(5)
SHARE OF LOSS OF A JOINT VENTURE	<u>(60)</u>	<u>(105)</u>	<u>(60)</u>	<u>(105)</u>
PROFIT BEFORE TAX	2,217	1,819	2,217	1,819
TAXATION	<u>(587)</u>	<u>(569)</u>	<u>(587)</u>	<u>(569)</u>
PROFIT FOR THE FINANCIAL PERIOD	<u>1,630</u>	<u>1,250</u>	<u>1,630</u>	<u>1,250</u>
OTHER COMPREHENSIVE INCOME / (LOSS)				
Foreign currency translation	<u>328</u>	<u>(157)</u>	<u>328</u>	<u>(157)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>1,958</u>	<u>1,093</u>	<u>1,958</u>	<u>1,093</u>
Profit attributable to:				
Owners of the parent	<u>1,630</u>	<u>1,250</u>	<u>1,630</u>	<u>1,250</u>
Total comprehensive income attributable to:				
Owners of the parent	<u>1,958</u>	<u>1,093</u>	<u>1,958</u>	<u>1,093</u>
Earnings per share (sen)				
Basic	0.34	0.33	0.34	0.33
Diluted	0.34	0.33	0.34	0.33

(The unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to this interim financial statements on page 5-13)

KARYON INDUSTRIES BERHAD (Company No: 612797-T)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2015
(The figures have not been audited)

	UNAUDITED	AUDITED
	As at 31/03/15	As at 31/12/14
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	22,805	22,978
Prepaid lease payments for land	516	518
Investment in a joint venture	5,736	5,468
	<u>29,057</u>	<u>28,964</u>
Current assets		
Inventories	13,252	18,077
Trade and other receivables	25,452	23,202
Current tax assets	213	413
Cash and cash equivalents	24,926	21,639
	<u>63,843</u>	<u>63,331</u>
TOTAL ASSETS	<u>92,900</u>	<u>92,295</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	47,572	47,572
Reserves	31,608	29,650
	<u>79,180</u>	<u>77,222</u>
TOTAL EQUITY	<u>79,180</u>	<u>77,222</u>
Non-current liabilities		
Borrowings	-	-
Deferred tax liabilities	1,628	1,628
	<u>1,628</u>	<u>1,628</u>
Current liabilities		
Trade and other payables	12,068	12,710
Borrowings	21	703
Current tax liabilities	3	32
	<u>12,092</u>	<u>13,445</u>
TOTAL LIABILITIES	<u>13,720</u>	<u>15,073</u>
TOTAL EQUITY AND LIABILITIES	<u>92,900</u>	<u>92,295</u>
Net assets per share attributable to owners of the parent (RM)	<u>0.17</u>	<u>0.16</u>

(The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to this interim financial statements on page 5-13)

KARYON INDUSTRIES BERHAD (Company No: 612797-T)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 1ST QUARTER ENDED 31 MARCH 2015**
(The figures have not been audited)

Quarter ended 31 March 2015

	ATTRIBUTABLE TO OWNERS OF THE PARENT				
	SHARE CAPITAL	SHARE PREMIUM	EXCHANGE TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Balance as at 01.01.2015	47,572	37	816	28,797	77,222
Total comprehensive income for the period	-	-	328	1,630	1,958
Balance as at 31.03.2015	47,572	37	1,144	30,427	79,180

Quarter ended 31 March 2014

	ATTRIBUTABLE TO OWNERS OF THE PARENT				
	SHARE CAPITAL	SHARE PREMIUM	EXCHANGE TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Balance as at 01.01.2014	38,038	9,646	598	29,414	77,696
Total comprehensive income for the period	-	-	(157)	1,250	1,093
Transaction with owners					
- Exercise of ESOS	3	1	-	-	4
Balance as at 31.03.2014	38,041	9,647	441	30,664	78,793

(The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to this interim financial statements on page 5-13)

KARYON INDUSTRIES BERHAD (Company No: 612797-T)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 1ST QUARTER ENDED 31 MARCH 2015**
(The figures have not been audited)

	CURRENT YEAR TO DATE 31/03/15 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/03/14 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	2,217	1,819
Adjustments for:		
Amortisation of prepaid lease payments for land	2	2
Depreciation on property, plant and equipment	236	213
Interest expenses	3	5
Interest income	(109)	(73)
Share of loss of a joint venture	60	105
	<hr/>	<hr/>
Operating profit before working capital changes	2,409	2,071
Net changes in inventories	4,825	(1,542)
Net changes in trade and other receivables	(2,250)	868
Net changes in trade and other payables	(642)	754
Net changes in deposits	(3)	(2)
CASH GENERATED FROM OPERATIONS	<hr/> 4,339	<hr/> 2,149
Interest paid	(3)	(5)
Tax refunded	-	-
Tax paid	(416)	(999)
NET CASH FROM OPERATING ACTIVITIES	<hr/> 3,920	<hr/> 1,145
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	109	73
Purchase of property, plant and equipment	(63)	(76)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	<hr/> 46	<hr/> (3)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of bankers' acceptances	(614)	-
Proceeds from issuance of shares - ESOS	-	4
Repayments of term loan	(68)	(68)
NET CASH USED IN FINANCING ACTIVITIES	<hr/> (682)	<hr/> (64)
NET INCREASE IN CASH AND CASH EQUIVALENTS	<hr/> 3,284	<hr/> 1,078
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	20,642	24,294
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD (Note 1)	<hr/> <hr/> 23,926	<hr/> <hr/> 25,372

Note:

RM'000

1) Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise of the following:

Cash and bank balances	24,926
Less: Deposits pledged with licensed banks	(1,000)
Cash and bank balances at end of the period	<hr/> <hr/> 23,926

(The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to this interim financial statements on page 5-13)

KARYON INDUSTRIES BERHAD (“KIB”)

(Company No: 612797-T)

(Incorporated in Malaysia)

UNAUDITED QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 31 MARCH 2015

Explanatory notes to the Interim Financial Statements

1. Accounting Policies and Basis of Preparation

This interim financial statements has been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2014.

2. Significant Accounting Policies

The significant accounting policies adopted by KIB and its subsidiaries (“Group”) in this interim financial statements are consistent with those adopted in the financial statements for the financial year ended 31 December 2014 except for the newly-issued Malaysian Accounting Standards Board approved accounting framework - MFRS and IC Interpretations to be applied by all Entities Other Than Private Entities for the financial period beginning on 1 January 2015, which are as follows:

Amendments to MFRS 119	Defined Benefit Plans: Employee Contributions
Amendments to MFRSs Annual Improvements to MFRSs 2010-2012 Cycle	
Amendments to MFRSs Annual Improvements to MFRSs 2011-2013 Cycle	

The adoption of the abovementioned MFRS, Amendments to MFRS and Interpretations will have no material impact on the financial statements of the Group upon their initial application.

At the date of authorisation of these interim financial statements, the following MFRS and Amendments to MFRSs were issued but not yet effective and have not been applied by the Group:

MFRSs and Amendments to FRSS issued but not yet effective		Effective for annual periods beginning on or after
MFRS 14	Regulatory Deferral Accounts	1 January 2016
MFRS 101	Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 127	Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 10, MFRS12 and MFRS 128	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 116 & MFRS 141	Agriculture: Bearer Plants	1 January 2016
Amendments to MFRSs Annual Improvements to MFRSs 2012-2014 Cycle		1 January 2016
MFRS 15	Revenue from Contracts with Customers	1 January 2017
MFRS 9	Financial Instruments	1 January 2018

3. Audit Report of the Preceding Audited Financial Statements

The auditors' report of the preceding annual financial statements of the Group was not subject to any qualification.

4. Seasonal or Cyclical Factors

There were no seasonal or cyclical factors affecting the results of the Group for the current financial quarter under review.

5. Unusual Items

There were no items or events that arose, which is unusual because of its nature, size, or incidence that has affected the assets, liabilities, equity, net income or cash flows of the Group for the current financial quarter under review.

6. Material Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have material effect on the current financial year under review.

7. Changes in Debts and Equity Securities

There were no issuance and repayment of debt and equity securities, share buy-backs and share cancellation for the current financial quarter under review.

8. Dividends Declared/Paid

There was no dividend declared/paid during the current financial quarter under review.

9. Segmental Reporting

The segmental result of the Group for the current financial quarter under review is set out below:

3 months ended 31 March 2015

	Investment Holding	Manufacturing of Polymeric Product	Manufacturing of Oleochemical Product	Total
	RM'000	RM'000	RM'000	RM'000
REVENUE				
Sales (Gross)	584	32,588	3,183	36,355
Inter-segment sales	(578)	(1,809)	(2)	(2,389)
External	6	30,779	3,181	33,966
RESULT				
Segment result	(568)	2,753	95	2,280
Finance costs	-	(3)	-	(3)
Share of loss of a joint venture	(60)	-	-	(60)
(Loss)/Profit before tax	(628)	2,750	95	2,217
Taxation	(42)	(545)	-	(587)
(Loss)/Profit after tax	(670)	2,205	95	1,630

Consolidated Statement of Financial Position

Segment assets	7,943	74,581	10,376	92,900
Segment liabilities	667	11,665	1,388	13,720

3 months ended 31 March 2014

	Investment Holding	Manufacturing of Polymeric Product	Manufacturing of Oleochemical Product	Total
	RM'000	RM'000	RM'000	RM'000
REVENUE				
Sales (Gross)	867	30,733	2,413	34,013
Inter-segment sales	(835)	(2,136)	(13)	(2,984)
External	32	28,597	2,400	31,029
RESULT				
Segment result	(801)	2,591	139	1,929
Finance costs	-	(5)	-	(5)
Share of profit of a joint venture	(105)	-	-	(105)
(Loss)/Profit before tax	(906)	2,586	139	1,819
Taxation	(118)	(437)	(14)	(569)
(Loss)/Profit after tax	(1,024)	2,149	125	1,250

Consolidated Statement of Financial Position

Segment assets	10,527	73,121	9,363	93,011
Segment liabilities	525	12,820	873	14,218

10. Valuation of Property, Plant and Equipment

The Group's property, plant and equipment is carried at cost and have been brought forward without amendment from the latest audited annual financial statements.

11. Material Events Subsequent to the End of the Current Financial Quarter

There were no material events that have occurred from 1 April 2015 to the date of announcement.

12. Changes in the Composition of the Group

On 30 March 2015, the Board of Directors of KIB ("**Board**") had announced that the Board has resolved to cease all operations of Karyon (Malaysia) Sdn Bhd ("**KMSB**") with effect from 31 March 2015.

The cessation of all operations of KMSB is not expected to have any material financial impact on the Group.

13. Contingent Liabilities and Contingent Assets

(a) Contingent liabilities

The amounts of contingent liabilities as at 31 March 2015 are as follows:

	<u>RM</u>
Guarantees to banks for trade facilities granted	26,050,000
Guarantees to suppliers	3,000,000

(b) Contingent assets

There were no contingent assets as at the end of current financial quarter under review.

14. Capital Commitment

Capital commitment as at 31 March 2015 is as follows:

	<u>RM</u>
Property, plant and equipment:	
Approved and contracted for	8,458,513

15. Performance Review

Current Financial Quarter as compared with Previous Year Corresponding Quarter

	3 Months Ended		Variance	
	31.03.2015	31.03.2014	Amount	%
	RM'000	RM'000	RM'000	
Revenue	33,966	31,029	2,937	9.47
Profit before tax	2,217	1,819	398	21.88

For the quarter ended 31 March 2015, the Group recorded revenue of RM33.966 million, an increase of RM2.937 million or 9.47% as compared to revenue of RM31.029 million recorded for the corresponding quarter ended 31 March 2014. The slight increase in revenue was due mainly to the increase in sales volume of polymeric products.

The Group's profit before tax for the quarter ended 31 March 2015 had also increased to RM2.217 million or 21.88% as compared to the profit before tax of RM1.819 million recorded in the preceding financial year corresponding period. This was due mainly to the increase in sales as mentioned above.

Performance of the respective operating business segments for the current financial quarter as compared to the previous year corresponding quarter is analysed as follows:

Polymeric division

The revenue of polymeric division had increased by RM2.182 million which was due mainly to the increase in sales volume of polymeric products by 888 metric tonnes with a slight decrease in average selling price of polymeric products. The profit before tax had also increased by RM0.164 million from RM2.586 million recorded in the preceding financial year corresponding quarter to RM2.750 million for the current financial period. This was due mainly to the improvement in production efficiency of the polymeric division.

Oleochemical division

The revenue of oleochemical division had increased by RM0.770 million due to the increase in the sales volume of oleochemical products by 164 metric tonnes. However, the profit before tax had decreased by RM0.044 million due mainly to the increase in cost of materials for oleochemical products.

Investment holding

No significant variance.

16. Material Changes in Profit Before Tax as Compared with the Immediate Preceding Quarter

	3 Months Ended		Deviation	
	31.03.2015	31.12.2014	Amount	%
	RM'000	RM'000	RM'000	
Revenue	33,966	33,546	420	1.25
Profit before tax	2,217	1,698	519	30.57

The Group's revenue recorded a slight increase of RM0.420 million or 1.25% from RM33.546 million to RM33.966 million. The increase in revenue was due mainly to the higher sales volume generated by oleochemical division.

The Group's profit before tax had also increased by RM0.519 million or 30.57% from RM1.698 million to RM2.217 million for the quarter ended 31 March 2015. This was due mainly to the improvement in production efficiency of the polymeric division.

17. Future Prospects

The financial performance of the Group for the financial year 2015 shall remain profitable.

The Board plans to increase the revenue/profit of the Group by:

- i) increasing the production capacity;
- ii) increasing export sales to existing and potential customers by penetrating new territories; and
- iii) continuing new and higher value product development for polymeric products.

18. Variance of Profit Forecast and Shortfall in Profit Guarantee

The Group has not issued any profit forecast or profit guarantee for the current financial quarter under review.

19. Tax Expense

The tax expense charged for the current financial quarter under review and financial year-to-date includes the followings:

	Current Quarter 31.03.2015 RM'000	Financial Year-To-Date 31.03.2015 RM'000
Estimated current tax expense	<u>587</u>	<u>587</u>

The Group's effective tax rate was higher than the statutory tax rate of 25% due mainly to certain expenses are not deductible for tax purposes.

20. Status of Corporate Proposal

There was no outstanding corporate proposal for the current financial quarter under review.

21. Group Borrowings and Debt Securities

The Group's borrowings, which are all denominated in Ringgit Malaysia, as at 31 March 2015 are shown below:

	As at 31.03.2015 RM'000	As at 31.03.2014 RM'000
Long Term Borrowing - secured		
Term loan	-	21
	-	21
Short Term Borrowing – secured		
Banker acceptance	-	-
Term loan	21	272
	21	272
Total	21	293

22. Realised and Unrealised Profits or Losses

	Current quarter ended 31.03.2015 RM'000	Preceding quarter ended 31.12.2014 RM'000
Total retained earnings of KIB and its subsidiaries:		
- Realised	31,268	29,578
- Unrealised	(1,628)	(1,628)
	29,640	27,950
Total share of retained earnings from a joint venture:		
- Realised	787	847
Total Group retained earnings	30,427	28,797

23. Material Litigation

Summons and Statement of Claim by Hsing Lung Sdn Bhd ("HLSB"), a wholly owned subsidiary of KIB against Nikko Electronics Berhad (in Liquidation) ("NIKKO")

HLSB, a wholly owned subsidiary of KIB, had on 19 January 2009 through its solicitor served the sealed Writ of Summons and Statement of Claim on Nikko Electronics Bhd ("NIKKO") for a claim of RM95,605.40 together with interest and monies due and owing by NIKKO to HLSB for goods sold, supplied and delivered to NIKKO by HLSB.

HLSB had on 8 May 2015, received the first and final payment of RM2,439.66 as full settlement on the claim.

24. Dividend Payable

No dividend was declared or payable during the current financial quarter under review.

25. Notes to the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Profit before tax is arrived at after charging/(crediting) the following items:

	1st Quarter Ended		3 Months Ended	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
	RM'000	RM'000	RM'000	RM'000
Amortisation of prepaid lease payments for land	2	2	2	2
Depreciation on property, plant and equipment	236	213	236	213
Net foreign exchange gain	(3)	(67)	(3)	(67)
Interest income	(109)	(73)	(109)	(73)
Interest expenses	3	5	3	5

Save as disclosed above, the other items required under Section 16, Part A of Appendix 9B of the Main Market Listing Requirements of Bursa Securities are not applicable.

26. Earnings Per Share ("EPS")

Basic

The calculation of the basic EPS is based on the net profit for the current financial quarter and the three (3) months financial period, divided by the weighted average number of ordinary shares of RM0.10 each in issue during the current financial quarter and the three (3) months financial period.

	1st Quarter Ended		3 Months Ended	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
Net profit for the period attributable to owners of the parent (RM'000)	1,630	1,250	1,630	1,250
Weighted average number of ordinary shares in issue ('000)	475,713	380,377	475,713	380,377
Basic EPS (sen)	0.34	0.33	0.34	0.33

26. Earnings Per Share (“EPS”) (cont’d)

Diluted

The EPS is not diluted for the current financial quarter and the three (3) months financial period.

The calculation of the diluted EPS for comparative quarter was based on the net profit for the comparative quarter and the three (3) months financial period, divided by the adjusted weighted average number of ordinary shares of RM0.10 each in issued under the exercise of share options granted under the ESOS exercise.

	1st Quarter Ended		3 Months Ended	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
Weighted average number of ordinary shares in issue ('000)	475,713	380,377	475,713	380,377
Effect of ESOS ('000)	-	125	-	125
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	475,713	380,502	475,713	380,502
Diluted EPS (sen)	0.34	0.33	0.34	0.33