

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

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016**  
(The figures have not been audited)

	<b>3 MONTHS ENDED 31/03/16 RM'000</b>	<b>15 MONTHS ENDED 31/03/16 RM'000</b>
REVENUE	29,491	157,450
COST OF SALES	<u>(25,100)</u>	<u>(134,851)</u>
GROSS PROFIT	4,391	22,599
OTHER INCOME	194	1,157
ADMINISTRATIVE AND OPERATING EXPENSES	(5,021)	(15,994)
FINANCE COSTS	(73)	(238)
SHARE OF LOSS OF A JOINT VENTURE	<u>(31)</u>	<u>(47)</u>
(LOSS)/PROFIT BEFORE TAX	(540)	7,477
TAXATION	<u>(477)</u>	<u>(2,843)</u>
(LOSS)/PROFIT FOR THE FINANCIAL PERIOD	<u>(1,017)</u>	<u>4,634</u>
OTHER COMPREHENSIVE (LOSS)/INCOME		
Foreign currency translation	<u>(559)</u>	<u>389</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	<u><u>(1,576)</u></u>	<u><u>5,023</u></u>
(Loss)/Profit attributable to:		
Owners of the parent	<u><u>(1,017)</u></u>	<u><u>4,634</u></u>
Total comprehensive (loss)/income attributable to:		
Owners of the parent	<u><u>(1,576)</u></u>	<u><u>5,023</u></u>
(Loss)/Earnings per share (sen)		
Basic	(0.21)	0.97
Diluted	(0.21)	0.97

There was no comparative figure for the preceding year corresponding quarter and 15 months financial period ended 31 March 2015 due to the change in the current financial year end from 31 December 2015 to 31 March 2016.

(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 2016**  
(The figures have not been audited)

	<u>UNAUDITED</u>	<u>AUDITED</u>
	<u>As at 31/03/16</u> <u>RM'000</u>	<u>As at 31/12/14</u> <u>RM'000</u>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	31,573	22,978
Prepaid lease payments for land	-	518
Investment in a joint venture	5,810	5,468
	<u>37,383</u>	<u>28,964</u>
<b>Current assets</b>		
Inventories	15,381	18,077
Trade and other receivables	23,955	23,202
Current tax assets	1,501	413
Cash and cash equivalents	20,965	21,639
	<u>61,802</u>	<u>63,331</u>
Assets of disposal group classified as held for sale	1,772	-
<b>TOTAL ASSETS</b>	<u>100,957</u>	<u>92,295</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	47,572	47,572
Share premium	37	37
Foreign currency translation reserve	1,205	816
Retained earnings	31,529	28,797
<b>TOTAL EQUITY</b>	<u>80,343</u>	<u>77,222</u>
<b>Non-current liabilities</b>		
Borrowings	5,627	-
Deferred tax liabilities	2,063	1,628
	7,690	1,628
<b>Current liabilities</b>		
Trade and other payables	11,445	12,710
Borrowings	1,479	703
Current tax liabilities	-	32
	12,924	13,445
<b>TOTAL LIABILITIES</b>	<u>20,614</u>	<u>15,073</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>100,957</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 FINANCIAL YEAR ENDED 31 MARCH 2016**  
(The figures have not been audited)

Period ended 31 March 2016

	ATTRIBUTABLE TO OWNERS OF THE PARENT				
	SHARE CAPITAL	SHARE PREMIUM	FOREIGN CURRENCY 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	-	-	389	4,634	5,023
Dividend paid	-	-	-	(1,902)	(1,902)
Balance as at 31.03.2016	47,572	37	1,205	31,529	80,343

There was no comparative figure for the preceding year corresponding period ended 31 March 2015 due to the change in the current financial year end from 31 December 2015 to 31 March 2016.

(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 FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016**  
(The figures have not been audited)

	<b>CURRENT YEAR TO DATE 31/03/16 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Profit before tax	7,477
Adjustments for:	
Amortisation of prepaid lease payments for land	7
Reversal of impairment loss on trade and other receivables	(53)
Bad debts written off	179
Depreciation on property, plant and equipment	1,253
Gain on disposal of property, plant and equipment	(181)
Interest expense	238
Property, plant and equipment written off	130
Interest income	(509)
Unrealised loss on foreign exchange	272
Share of loss of a joint venture	47
	<hr/>
Operating profit before changes in working capital	8,860
Net changes in inventories	2,696
Net changes in trade and other receivables	(1,259)
Net changes in trade and other payables	(1,006)
Net changes in deposits with a licensed bank	639
	<hr/>
<b>CASH FROM OPERATIONS</b>	9,930
Interest paid	(238)
Tax paid	(3,528)
	<hr/>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>6,164</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	509
Proceeds from disposal of property, plant and equipment	431
Purchase of property, plant and equipment (Note 1)	(11,349)
	<hr/>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(10,409)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Dividend paid	(1,902)
Repayment of hire purchase creditor	(10)
Drawdown of:	
- term loan	5,730
- bankers' acceptance	543
	<hr/>
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>4,361</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>116</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH &amp; CASH EQUIVALENTS</b>	<b>(151)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>	<b>20,642</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR (Note 2)</b>	<b>20,607</b>
	<hr/>
Notes:	<b>RM'000</b>
<b>1) Purchase of property, plant and equipment</b>	
Purchase of property, plant and equipment	11,545
Less: Financed by hire purchase	(140)
Less: Sales to related companies	(56)
Cash purchase of property, plant and equipment	<hr/> <b>11,349</b>
<b>2) Cash and cash equivalents</b>	
Cash and cash equivalents included in the statement of cash flows comprise of the following:	
Cash and bank balances	20,965
Less: Deposits pledged with licensed banks	(358)
Cash and bank balances at the end of the period	<hr/> <b>20,607</b>

There was no comparative figure for the preceding year corresponding period ended 31 March 2015 due to the change in the current financial year end from 31 December 2015 to 31 March 2016.

(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 QUARTER ENDED 31 MARCH 2016**

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.

The Group has changed its financial year end from 31 December to 31 March. The current financial period is from 1 January 2015 to 31 March 2016.

The Group has reclassified prospectively approximately RM1.772 million from non-current assets to assets of disposal group classified as held for sale.

**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.

**2. Significant Accounting Policies (cont'd)**

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
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to 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 116 & MFRS 141	Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127	Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRSs Annual Improvements to MFRSs 2012-2014 Cycle		1 January 2016
MFRS 9	Financial Instruments (IFRS as issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	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 period-to-date.

**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**

The dividend declared/paid during the current financial quarter and cumulative financial period-to-date is as follows:

	Company			
	2016		2014	
	Gross dividend per share sen	Amount of dividend RM	Gross dividend per share sen	Amount of dividend RM
<b>In respect of the financial period ending 31 March 2016</b> Interim single tier dividend, paid on 3 July 2015	0.40	1,902,853	-	-
<b>In respect of the financial year ended 31 December 2014</b> Interim single tier dividend, paid on 23 December 2014	-	-	0.40	1,902,853
<b>In respect of the financial year ended 31 December 2013</b> Final single tier dividend, paid on 18 July 2014	-	-	0.60	2,282,702

## 9. Segmental Reporting

The segmental result of the Group for the current financial quarter and financial period to-date are set out below:

### 3 months ended 31 March 2016

	Investment Holding	Manufacturing of Polymeric Product	Manufacturing of Oleochemical Product	Total
	RM'000	RM'000	RM'000	RM'000
<b>REVENUE</b>				
Sales (Gross)	360	31,753	15	32,128
Inter-segment sales	(355)	(2,282)	-	(2,637)
External	5	29,471	15	29,491
<b>RESULT</b>				
Segment result	(408)	407	(435)	(436)
Finance costs	-	(73)	-	(73)
Share of loss of a joint venture	(31)	-	-	(31)
(Loss)/Profit before tax	(439)	334	(435)	(540)
Taxation	(22)	(455)	-	(477)
(Loss)/Profit after tax	(461)	(121)	(435)	(1,017)

### **Consolidated Statement of Financial Position**

Segment assets	8,307	86,560	6,090	100,957
Segment liabilities	570	20,005	39	20,614

### 15 months ended 31 March 2016

	Investment Holding	Manufacturing of Polymeric Product	Manufacturing of Oleochemical Product	Total
	RM'000	RM'000	RM'000	RM'000
<b>REVENUE</b>				
Sales (Gross)	4,741	163,295	3,657	171,693
Inter-segment sales	(4,700)	(9,541)	(2)	(14,243)
External	41	153,754	3,655	157,450
<b>RESULT</b>				
Segment result	(2,531)	10,912	(619)	7,762
Finance costs	-	(238)	-	(238)
Share of loss of a joint venture	(47)	-	-	(47)
(Loss)/Profit before tax	(2,578)	10,674	(619)	7,477
Taxation	(205)	(2,638)	-	(2,843)
(Loss)/Profit after tax	(2,783)	8,036	(619)	4,634

### **Consolidated Statement of Financial Position**

Segment assets	8,307	86,560	6,090	100,957
Segment liabilities	570	20,005	39	20,614



**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 2016 to the date of announcement.

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

There were no changes in the composition of the Group during the current financial quarter under review.

**13. Contingent Liabilities and Contingent Assets**

**(a) Contingent liabilities**

The amounts of contingent liabilities as at 31 March 2016 are as follows:

	<u>RM</u>
Guarantees to banks for trade facilities granted	33,100,000
Guarantees to suppliers	<u>500,000</u>

**(b) Contingent assets**

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

**14. Capital Commitment**

There was no capital commitment as at 31 March 2016.

## 15. Performance Review

### Current Financial Period and Financial Period To-date

	<b>3 Months Ended 31.03.2016</b>	<b>15 Months Ended 31.03.2016</b>
Revenue	29,491	157,450
(Loss)/ Profit before tax	(540)	7,477

Due to the change in the current financial year end from 31 December 2015 to 31 March 2016, there were no comparative financial information available for the preceding year corresponding quarter and 15 months financial period ended 31 March 2015.

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

	<b>3 Months Ended</b>		<b>Deviation</b>	
	<b>31.03.2016</b>	<b>31.12.2015</b>	<b>Amount</b>	<b>%</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	
Revenue	29,491	31,563	(2,072)	(6.56)
(Loss)/Profit before tax	(540)	1,923	(2,463)	(128.08)

The Group's revenue had decreased by RM2.072 million due mainly to the decrease in selling price of polymeric products.

The Group had incurred loss before tax for the current financial quarter due mainly to the sales tax and penalty imposed by Jabatan Kastam Diraja Malaysia which amounted to approximately RM1.595 million of which an appeal had been made to the relevant authorities. In addition, the Group had also incurred unrealised loss on foreign exchange of approximately RM0.412 million due to the depreciation of Ringgit Malaysia for the current financial quarter under review.

## 17. Future Prospects

Notwithstanding the current economic situation and currency fluctuations, the Board is of the opinion that the revenue and profit of the Group for the coming financial year ending 31 March 2017 can be increased by:

- i) increasing the production capacity with the installation of a new production line;
- ii) continuing new and higher value products development for the polymeric division; and
- iii) increasing the sales of industrial chemical 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 period-to-date includes the followings:

	<b>Current Quarter 31.03.2016 RM'000</b>	<b>Financial Period-To- Date 31.03.2016 RM'000</b>
Estimated current tax expense	285	2,466
Over provision of tax in prior year	-	(58)
Deferred tax liabilities	192	435
	<u>477</u>	<u>2,843</u>

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

## 20. Status of Corporate Proposal

There is 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 2016 are shown below:

	<b>As at 31.03.2016 RM'000</b>	<b>As at 31.12.2014 RM'000</b>
<b>Long Term Borrowing - secured</b>		
Hire purchase creditor	104	-
Term loan	5,523	-
	<u>5,627</u>	<u>-</u>
<b>Short Term Borrowing – secured</b>		
Banker acceptance	1,157	614
Hire purchase creditor	26	-
Term loan	296	89
	<u>1,479</u>	<u>703</u>
<b>Total</b>	<u>7,106</u>	<u>703</u>

**22. Realised and Unrealised Profits or Losses**

	<b>Current quarter ended 31.03.2016 RM'000</b>	<b>Preceding quarter ended 31.12.2015 RM'000</b>
Total retained earnings of KIB and its subsidiaries:		
- Realised	33,064	33,446
- Unrealised	(2,335)	(1,731)
	<u>30,729</u>	<u>31,715</u>
Total share of retained earnings from a joint venture:		
- Realised	800	831
Total Group retained earnings	<u><b>31,529</b></u>	<u><b>32,546</b></u>

**23. Material Litigation**

The Group does not have any material litigation which would materially affect the financial position of the Group.

**24. Dividend Payable**

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

The total dividend paid in respect of the financial year ended 31 March 2016 was 4.00% or RM1,902,853 (31.12.2014: 10% or RM4,185,555).

At the forthcoming Annual General Meeting, a final dividend of 3.00% under the single tier system in respect of the financial year ended 31 March 2016 will be proposed for shareholders' approval. Based on the total number of issued and paid-up share capital as at 31 March 2016 of 475,713,257 ordinary shares, the total dividend payable would amount to RM1,427,139.77. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2017.

The entitlement and payment dates will be determined at a later date.

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:

	3 Months Ended		15 Months Ended	
	31.03.2016		31.03.2016	
	RM'000		RM'000	
Amortisation of prepaid lease payments for land	-		7	
Bad debts written off	178		179	
Reversal of impairment loss on trade and other receivables	-		(53)	
Depreciation on property, plant and equipment	261		1,253	
Gain on disposal of property, plant and equipment	(183)		(181)	
Net foreign exchange gain- realised	(29)		(325)	
Net foreign exchange loss- unrealised	412		272	
Interest income	(108)		(509)	
Interest expenses	73		238	
Property, plant and equipment written off	100		130	

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 fifteen (15) months financial period, divided by the weighted average number of ordinary shares of RM0.10 each in KIB in issue during the current financial quarter and the fifteen (15) months financial period.

	Quarter Ended		15 Months Ended	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
Net profit for the period attributable to owners of the parent (RM'000)	(1,017)	N/A	4,634	N/A
Weighted average number of ordinary shares in issue ('000)	475,713	N/A	475,713	N/A
Basic EPS (sen)	(0.21)	N/A	0.97	N/A

**Diluted**

The EPS is not diluted for the current financial quarter and the fifteen (15) months financial period.