

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

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE 1ST QUARTER ENDED 30 JUNE 2016
(The figures have not been audited)**

INDIVIDUAL QUARTER

	CURRENT YEAR QUARTER 30/06/16 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/06/15 RM'000
REVENUE	33,238	N/A
COST OF SALES	(27,304)	N/A
GROSS PROFIT	5,934	N/A
OTHER INCOME	276	N/A
ADMINISTRATIVE AND OPERATING EXPENSES	(2,766)	N/A
FINANCE COSTS	(68)	N/A
SHARE OF PROFIT OF A JOINT VENTURE	21	N/A
PROFIT BEFORE TAX	3,397	N/A
TAXATION	(798)	N/A
PROFIT FOR THE FINANCIAL PERIOD	2,599	N/A
OTHER COMPREHENSIVE INCOME		
Foreign currency translation	29	N/A
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,628	N/A
Profit attributable to:		
Owners of the parent	2,599	N/A
Total comprehensive income attributable to:		
Owners of the parent	2,628	N/A
Earnings per share (sen)		
Basic	0.55	N/A
Diluted	0.55	N/A

There was no comparative figure for the cumulative quarters and preceding year corresponding period due to the changed in previous 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 March 2016 and the accompanying explanatory notes attached to this interim financial statements on page 5-11)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016
(The figures have not been audited)

	UNAUDITED	AUDITED
	As at 30/06/16 RM'000	As at 31/03/16 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	31,460	31,573
Investment in a joint venture	5,860	5,810
	<u>37,320</u>	<u>37,383</u>
Current assets		
Inventories	15,186	15,381
Trade and other receivables	25,222	23,955
Current tax assets	1,434	1,501
Cash and cash equivalents	20,480	20,965
	<u>62,322</u>	<u>61,802</u>
Non-current assets held for sale	1,772	1,772
TOTAL ASSETS	<u><u>101,414</u></u>	<u><u>100,957</u></u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	47,572	47,572
Share premium	37	37
Foreign currency translation reserve	1,234	1,205
Retained earnings	34,128	31,529
TOTAL EQUITY	<u>82,971</u>	<u>80,343</u>
Non-current liabilities		
Borrowings	5,569	5,627
Deferred tax liabilities	2,063	2,063
	<u>7,632</u>	<u>7,690</u>
Current liabilities		
Trade and other payables	10,488	11,445
Borrowings	323	1,479
	<u>10,811</u>	<u>12,924</u>
TOTAL LIABILITIES	<u>18,443</u>	<u>20,614</u>
TOTAL EQUITY AND LIABILITIES	<u><u>101,414</u></u>	<u><u>100,957</u></u>
Net assets per share attributable to owners of the parent (RM)	<u>0.17</u>	<u>0.17</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 March 2016 and the accompanying explanatory notes attached to this interim financial statements on page 5-11)

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 1ST QUARTER ENDED 30 JUNE 2016**
(The figures have not been audited)

Quarter ended 30 June 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 01.04.2016	47,572	37	1,205	31,529	80,343
Total comprehensive income for the period	-	-	29	2,599	2,628
Balance as at 30.06.2016	47,572	37	1,234	34,128	82,971

There was no comparative figure for the preceding year corresponding period due to the changed in previous 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 March 2016 and the accompanying explanatory notes attached to this interim financial statements on page 5-11)

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 1ST QUARTER ENDED 30 JUNE 2016
(The figures have not been audited)**

	CURRENT YEAR TO DATE 30/06/16 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before tax	3,397
Adjustments for:	
Depreciation on property, plant and equipment	257
Interest expense	68
Interest income	(99)
Unrealised gain on foreign exchange	(128)
Share of profit of a joint venture	(21)
Operating profit before changes in working capital	3,474
Net changes in inventories	195
Net changes in trade and other receivables	(1,132)
Net changes in trade and other payables	(989)
CASH FROM OPERATIONS	1,548
Tax paid	(731)
NET CASH FROM OPERATING ACTIVITIES	817
CASH FLOWS FROM INVESTING ACTIVITIES	
Deposits with licensed banks with original maturity of more than three months	(3)
Interest received	99
Purchase of property, plant and equipment	(144)
NET CASH USED IN INVESTING ACTIVITIES	(48)
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of:	
- hire purchase creditor	(6)
- term loan	(51)
- bankers' acceptance	(1,157)
Interest paid	(68)
NET CASH USED IN FINANCING ACTIVITIES	(1,282)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(513)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH & CASH EQUIVALENTS	25
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	19,556
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR (Note 1)	19,068
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	20,480
Less: Deposits with licensed banks (more than three months)	(1,412)
Cash and bank balances at the end of the period	19,068

There was no comparative figure for the preceding year corresponding period ended 30 June 2015 due to the changed in previous 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 March 2016 and the accompanying explanatory notes attached to this interim financial statements on page 5-11)

KARYON INDUSTRIES BERHAD (“KIB”)

(Company No: 612797-T)

(Incorporated in Malaysia)

UNAUDITED QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 JUNE 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 period ended 31 March 2016.

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 period ended 31 March 2016 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 2016. 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
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 107	Disclosure Initiative	1 January 2017
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
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
Clarification to MFRS 15		1 January 2018
MFRS 16	Leases	1 January 2019

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

	Company			
	2017		2016	
	Gross dividend per share sen	Amount of dividend RM	Gross dividend per share sen	Amount of dividend RM
In respect of the financial period ended 31 March 2016 Final single tier dividend, declared on 25 May 2016 and shall be paid on 26 September 2016	0.30	1,427,140	-	-
In respect of the financial period ended 31 March 2016 Single tier interim dividend, declared on 3 June 2015 and paid on 3 July 2015	-	-	0.40	1,902,853

9. Segmental Reporting

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

3 months ended 30 June 2016

	Investment Holding	Manufacturing of Polymeric Product	Manufacturing of Oleochemical Product	Total
	RM'000	RM'000	RM'000	RM'000
REVENUE				
Sales (Gross)	304	35,535	41	35,880
Inter-segment sales	(300)	(2,303)	(39)	(2,642)
External	4	33,232	2	33,238
RESULT				
Segment result	(401)	3,881	(36)	3,444
Finance costs	-	(68)	-	(68)
Share of profit of a joint venture	21	-	-	21
(Loss)/Profit before tax	(380)	3,813	(36)	3,397
Taxation	-	(798)	-	(798)
(Loss)/Profit after tax	(380)	3,015	(36)	2,599

Consolidated Statement of Financial Position

Segment assets	8,118	87,340	5,956	101,414
Segment liabilities	599	17,825	19	18,443

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

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 July 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 30 June 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 30 June 2016.

15. Performance Review

Current Financial Quarter

	3 Months Ended 30.06.2016
	RM'000
Revenue	33,238
Profit before tax	3,397

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

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

	3 Months Ended		Deviation	
	30.06.2016	31.03.2016	Amount	%
	RM'000	RM'000	RM'000	
Revenue	33,238	29,491	3,747	12.71
Profit/(loss) before tax	3,397	(540)	3,937	729.07

The Group's revenue had increased by RM3.747 million due mainly to the increase in sales volume of polymeric products as a result of more orders were received from customers and increase in production by 220 MT resulted from a new production line which commenced partially in June 2016.

The Group's profit before tax for the quarter ended 30 June 2016 had also increased to RM3.397 million or 729.07% as compared to the loss before tax of RM0.540 million recorded in the preceding quarter. This was due mainly to higher sales and improvement in profit margin in the current quarter. In addition, there were sales tax and penalty imposed by Jabatan Kastam Diraja Malaysia which amounted to approximately RM1.595 million and unrealised loss on foreign exchange of approximately RM0.412 million due to the weakened Ringgit Malaysia against foreign currencies in the preceding quarter.

17. Future Prospects

Notwithstanding the current economic situation and currency fluctuations, the Board is of the opinion that the financial performance of the Group for the financial year ending 31 March 2017 will remain satisfactory due to the following:

- i) increasing the production capacity with the commencement of new production line in June 2016;
- 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:

	Current Quarter 30.06.2016 RM'000	Financial Year-To-Date 30.06.2016 RM'000
Estimated current tax expense	<u>798</u>	<u>798</u>

The Group's effective tax rate was lower than the statutory tax rate of 24% due mainly to exempt interest income and unrealised gain on foreign exchange are not taxable 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 30 June 2016 are shown below:

	As at 30.06.2016 RM'000	As at 30.06.2015 RM'000
Long Term Borrowing - secured		
Hire purchase creditor	97	N/A
Term loan	<u>5,472</u>	<u>N/A</u>
	5,569	N/A
Short Term Borrowing – secured		
Banker acceptance	-	N/A
Hire purchase creditor	26	N/A
Term loan	<u>297</u>	<u>N/A</u>
	323	N/A
Total	<u>5,892</u>	<u>N/A</u>

22. Realised and Unrealised Profits or Losses

	Current quarter ended 30.06.2016 RM'000	Preceding quarter ended 31.03.2016 RM'000
Total retained earnings of KIB and its subsidiaries:		
- Realised	35,242	33,064
- Unrealised	(1,935)	(2,335)
	<u>33,307</u>	<u>30,729</u>
Total share of retained earnings from a joint venture:		
- Realised	821	800
Total Group retained earnings	<u><u>34,128</u></u>	<u><u>31,529</u></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 paid for the current financial year under review.

A single tier final dividend of 3.00% or RM0.003 per ordinary share of RM0.10 each in respect of the financial year ended 31 March 2016, which was declared on 25 May 2016 and shall be paid on 26 September 2016.

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:

	Current Quarter Ended		3 Months Ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Amortisation of prepaid lease payments for land	-	N/A	-	N/A
Depreciation on property, plant and equipment	257	N/A	257	N/A
Net foreign exchange (gain)/loss -realised	(49)	N/A	(49)	N/A
Net foreign exchange (gain)/loss -unrealised	(128)	N/A	(128)	N/A
Interest income	(99)	N/A	(99)	N/A
Interest expenses	68	N/A	68	N/A

Note: There was no comparative figure for the preceding year corresponding period due to the changed in the previous financial year end from 31 December 2015 to 31 March 2016.

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 KIB in issue during the current financial quarter and the three (3) months financial period.

	Current Quarter Ended		3 Months Ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
Net profit for the period attributable to owners of the parent (RM'000)	2,599	N/A	2,599	N/A
Weighted average number of ordinary shares in issue ('000)	475,713	N/A	475,713	N/A
Basic EPS (sen)	0.55	N/A	0.55	N/A

Note: There was no comparative figure for the preceding year corresponding period due to the changed in the previous financial year end from 31 December 2015 to 31 March 2016.

Diluted

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