

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

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE 2ND QUARTER ENDED 30 SEPTEMBER 2016**  
(The figures have not been audited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	<u>CURRENT YEAR QUARTER</u> 30/09/16 RM'000	<u>PRECEDING YEAR CORRESPONDING QUARTER</u> 30/09/15 RM'000	<u>CURRENT YEAR TO DATE</u> 30/09/16 RM'000	<u>PRECEDING YEAR CORRESPONDING PERIOD</u> 30/09/15 RM'000
REVENUE	32,863	N/A	66,101	N/A
COST OF SALES	(27,375)	N/A	(54,679)	N/A
GROSS PROFIT	5,488	N/A	11,422	N/A
OTHER INCOME	31	N/A	307	N/A
ADMINISTRATIVE AND OPERATING EXPENSES	(2,973)	N/A	(5,739)	N/A
FINANCE COSTS	(77)	N/A	(145)	N/A
SHARE OF PROFIT OF A JOINT VENTURE	24	N/A	45	N/A
PROFIT BEFORE TAX	2,493	N/A	5,890	N/A
TAXATION	(765)	N/A	(1,563)	N/A
PROFIT FOR THE FINANCIAL PERIOD	1,728	N/A	4,327	N/A
OTHER COMPREHENSIVE INCOME				
Foreign currency translation	130	N/A	159	N/A
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,858	N/A	4,486	N/A
Profit attributable to:				
Owners of the parent	1,728	N/A	4,327	N/A
Total comprehensive income attributable to:				
Owners of the parent	1,858	N/A	4,486	N/A
Earnings per share (sen)				
Basic	0.36	N/A	0.91	N/A
Diluted	0.36	N/A	0.91	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 5-12)

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

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

	<b>UNAUDITED</b>	<b>AUDITED</b>
	<b>As at 30/09/16 RM'000</b>	<b>As at 31/03/16 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	31,327	31,573
Investment in a joint venture	6,014	5,810
	<u>37,341</u>	<u>37,383</u>
<b>Current assets</b>		
Inventories	18,388	15,381
Trade and other receivables	23,917	23,955
Current tax assets	1,109	1,501
Cash and cash equivalents	22,127	20,965
	<u>65,541</u>	<u>61,802</u>
Non-current assets held for sale	1,772	1,772
<b>TOTAL ASSETS</b>	<u>104,654</u>	<u>100,957</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	1,364	1,205
Retained earnings	34,429	31,529
<b>TOTAL EQUITY</b>	<u>83,402</u>	<u>80,343</u>
<b>Non-current liabilities</b>		
Borrowings	5,485	5,627
Deferred tax liabilities	2,063	2,063
	<u>7,548</u>	<u>7,690</u>
<b>Current liabilities</b>		
Trade and other payables	11,871	11,445
Borrowings	1,833	1,479
	<u>13,704</u>	<u>12,924</u>
<b>TOTAL LIABILITIES</b>	<u>21,252</u>	<u>20,614</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>104,654</u>	<u>100,957</u>
Net assets per share attributable to owners of the parent (RM)	<u>0.18</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 5-12)

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE 2ND QUARTER ENDED 30 SEPTEMBER 2016**  
(The figures have not been audited)

Quarter ended 30 September 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	-	-	159	4,327	4,486
Dividend paid	-	-	-	(1,427)	(1,427)
Balance as at 30.09.2016	47,572	37	1,364	34,429	83,402

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 5-12)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE 2ND QUARTER ENDED 30 SEPTEMBER 2016**  
(The figures have not been audited)

	<b>CURRENT YEAR TO DATE 30/09/16 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Profit before tax	5,890
Adjustments for:	
Bad debts written off	9
Bad debts recovery	(35)
Depreciation on property, plant and equipment	519
Interest expense	145
Interest income	(180)
PPE written off	5
Unrealised loss on foreign exchange	31
Share of profit of a joint venture	(45)
	<hr/>
Operating profit before changes in working capital	6,339
Net changes in inventories	(3,007)
Net changes in trade and other receivables	52
Net changes in trade and other payables	437
	<hr/>
<b>CASH FROM OPERATIONS</b>	<b>3,821</b>
Tax refunded	58
Tax paid	(1,229)
	<hr/>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>2,650</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Deposits with licensed banks with original maturity of more than three months	(1,026)
Interest received	180
Purchase of property, plant and equipment	(278)
	<hr/>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,124)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Drawdown/(repayment) of:	
- hire purchase creditor	(12)
- term loan	(125)
- bankers' acceptance	349
Interest paid	(145)
Dividend paid	(1,427)
	<hr/>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(1,360)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>166</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH &amp; CASH EQUIVALENTS</b>	<b>(30)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	<b>19,556</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD (Note 1)</b>	<b>19,692</b>
	<hr/> <hr/>
Note:	<b>RM'000</b>
<b>1) Cash and cash equivalents</b>	
Cash and cash equivalents included in the statement of cash flows comprise of the following:	
Cash and bank balances	22,127
Less: Deposits with licensed banks (more than three months)	(2,435)
Cash and bank balances at the end of the period	<hr/> <hr/> <b>19,692</b>

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 5-12)

**KARYON INDUSTRIES BERHAD (“KIB”)**

(Company No: 612797-T)

(Incorporated in Malaysia)

**UNAUDITED QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 30 SEPTEMBER 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:

<b>MFRSs and Amendments to FRSs issued but not yet effective</b>		<b>Effective for annual periods beginning on or after</b>
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
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
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			
	31.3.2017		31.3.2016	
	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 ended 31 March 2016</b> Final single tier dividend, declared on 25 May 2016 and shall be paid on 26 September 2016	0.30	1,427,139	-	-
<b>In respect of the financial period ended 31 March 2016</b> 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 September 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)	1,846	35,817	-	37,663
Inter-segment sales	(1,841)	(2,959)	-	(4,800)
External	5	32,858	-	32,863
<b>RESULT</b>				
Segment result	(580)	3,089	37	2,546
Finance costs	-	(77)	-	(77)
Share of profit of a joint venture	24	-	-	24
(Loss)/Profit before tax	(556)	3,012	37	2,493
Taxation	(87)	(678)	-	(765)
(Loss)/Profit after tax	(643)	2,334	37	1,728

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

Segment assets	7,971	89,962	6,721	104,654
Segment liabilities	315	20,351	586	21,252

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

### 6 months ended 30 September 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)	2,150	71,352	41	73,543
Inter-segment sales	(2,141)	(5,262)	(39)	(7,442)
External	9	66,090	2	66,101
<b>RESULT</b>				
Segment result	(981)	6,970	1	5,990
Finance costs	-	(145)	-	(145)
Share of loss of a joint venture	45	-	-	45
(Loss)/Profit before tax	(936)	6,825	1	5,890
Taxation	(87)	(1,476)	-	(1,563)
(Loss)/Profit after tax	(1,023)	5,349	1	4,327

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

Segment assets	7,971	89,962	6,721	104,654
Segment liabilities	315	20,351	586	21,252

**9. Segmental Reporting (cont'd)**

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**

On 18 April 2016, Karyon (Malaysia) Sdn Bhd, a wholly-owned subsidiary of KIB, had entered into a sale and purchase agreement with Scanwolf Plastic Industries Sdn Bhd for the disposal of a piece of leasehold land (99 years lease expiring on 11 December 2096) held under individual title, Pajakan Negeri 17230 Lot 40302 Mukim Sungai Buloh, District of Petaling, State of Selangor Darul Ehsan, measuring an area approximately 2,051 square metres together with a corner detached factory erected thereon known as No. 16, Jalan U5/16, Bandar Pinggiran Subang, Seksyen U5/16, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan for a total sale consideration of RM5.620 million ("Proposed Disposal").

The Company had on 28 October 2016 announced that the Proposed Disposal had completed on 27 October 2016 upon full receipt of the balance purchase price of RM4.215 million. This Proposed Disposal had resulted in a gain on disposal of approximately RM3.848 million which will be captured in the third quarter financial results.

**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 September 2016 are as follows:

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

**(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 30 September 2016 is as follows:

	<u>RM</u>
Property, plant and equipment – Motor Vehicle: Approved and contracted but not provided for	242,306



## 15. Performance Review

### Current Financial Quarter

	3 Months Ended 30.09.2016	6 Months Ended 30.09.2016
	RM'000	RM'000
Revenue	32,863	66,101
Profit before tax	2,493	5,890

There was no comparative figure for the preceding year corresponding period/quarter following the changed in financial year ending which have moved 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	
	30.09.2016	30.06.2016	Amount	%
	RM'000	RM'000	RM'000	
Revenue	32,863	33,238	(375)	(1.13)
Profit before tax	2,493	3,397	(904)	(26.61)

The Group's revenue had decreased by RM0.375 million in the current quarter under review due mainly to the decrease in sales volume of polymeric products as a result of one week business closure during the Hari Raya public holidays as no delivery was made during that period.

Similarly, the Group's profit before tax for the quarter ended 30 September 2016 had also decreased to RM2.493 million or 26.61% as compared to the profit before tax of RM3.397 million recorded in the preceding quarter, due mainly to lower sales during the current quarter under review. In addition, there was unrealised loss on foreign exchange of approximately RM0.159 million during the current quarter under review.

## 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 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 30.09.2016 RM'000</b>	<b>Financial Year-To-Date 30.09.2016 RM'000</b>
Estimated current tax expense	<u>765</u>	<u>1,563</u>

The Group's effective tax rate was higher than the statutory tax rate of 24% due mainly to certain expenses are disallowed 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 September 2016 are shown below:

	<b>As at 30.09.2016 RM'000</b>	<b>As at 30.09.2015 RM'000</b>
<b>Long Term Borrowing - secured</b>		
Hire purchase creditor	91	N/A
Term loan	<u>5,394</u>	<u>N/A</u>
	<b>5,485</b>	<b>N/A</b>
<b>Short Term Borrowing – secured</b>		
Banker acceptance	1,506	N/A
Hire purchase creditor	26	N/A
Term loan	<u>301</u>	<u>N/A</u>
	<b>1,833</b>	<b>N/A</b>
<b>Total</b>	<b><u>7,318</u></b>	<b><u>N/A</u></b>

## 22. Realised and Unrealised Profits or Losses

	<b>Current quarter ended 30.09.2016 RM'000</b>	<b>Preceding quarter ended 30.06.2016 RM'000</b>
Total retained earnings of KIB and its subsidiaries:		
- Realised	35,678	35,242
- Unrealised	<u>(2,094)</u>	<u>(1,935)</u>
	<b>33,584</b>	<b>33,307</b>
Total share of retained earnings from a joint venture:		
- Realised	<u>845</u>	<u>821</u>
Total Group retained earnings	<b><u>34,429</u></b>	<b><u>34,128</u></b>

**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 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		6 Months Ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Bad debts written off	9	N/A	9	N/A
Bad debts recovery	(35)	N/A	(35)	N/A
Depreciation on property, plant and equipment	262	N/A	519	N/A
Net foreign exchange gain -realised	(43)	N/A	(92)	N/A
Net foreign exchange loss -unrealised	159	N/A	31	N/A
Property, plant and equipment written off	5	N/A	5	N/A
Interest income	(81)	N/A	(180)	N/A
Interest expenses	77	N/A	145	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 six (6) 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 six (6) months financial period.

	Current Quarter Ended		6 Months Ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
Net profit for the period attributable to owners of the parent (RM'000)	1,728	N/A	4,327	N/A
Weighted average number of ordinary shares in issue ('000)	475,713	N/A	475,713	N/A
Basic EPS (sen)	0.36	N/A	0.91	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 six (6) months financial period.