

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

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE 3RD QUARTER ENDED 31 DECEMBER 2016**
(The figures have not been audited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	<u>CURRENT YEAR QUARTER 31/12/16 RM'000</u>	<u>PRECEDING YEAR CORRESPONDING QUARTER 31/12/15 RM'000</u>	<u>CURRENT YEAR TO DATE 31/12/16 RM'000</u>	<u>PRECEDING YEAR CORRESPONDING PERIOD 31/12/15 RM'000</u>
CONTINUING OPERATIONS				
Revenue	34,277	N/A	100,376	N/A
Cost of Sales	(29,203)	N/A	(83,842)	N/A
Gross Profit	5,074	N/A	16,534	N/A
Other Income	892	N/A	1,103	N/A
Administrative and Operating Expenses	(2,835)	N/A	(8,517)	N/A
Finance Costs	(72)	N/A	(217)	N/A
Share of (Loss)/Profit of a Joint Venture	(28)	N/A	17	N/A
Profit Before Tax	3,031	N/A	8,920	N/A
Taxation	(907)	N/A	(2,470)	N/A
Profit for the financial period from continuing operations	2,124	N/A	6,450	N/A
DISCONTINUED OPERATIONS				
Profit for the financial period from discontinued operations, net of tax	3,539	N/A	3,540	N/A
PROFIT FOR THE FINANCIAL PERIOD	5,663	N/A	9,990	N/A
OTHER COMPREHENSIVE INCOME				
Foreign currency translation	255	N/A	414	N/A
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	5,918	N/A	10,404	N/A
Profit attributable to:				
Owners of the parent	5,663	N/A	9,990	N/A
Total comprehensive income attributable to:				
Owners of the parent	5,918	N/A	10,404	N/A
Earnings per share (sen)				
Basic	1.19	N/A	2.10	N/A
Diluted	1.19	N/A	2.10	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 5-13)

KARYON INDUSTRIES BERHAD (Company No: 612797-T)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**AS AT 31 DECEMBER 2016****(The figures have not been audited)**

	UNAUDITED	AUDITED
	As at 31/12/16 RM'000	As at 31/03/16 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	31,521	31,573
Investment in a joint venture	5,251	5,810
	<u>36,772</u>	<u>37,383</u>
Current assets		
Inventories	18,570	15,381
Trade and other receivables	26,046	23,955
Current tax assets	1,134	1,501
Cash and cash equivalents	27,375	20,965
	<u>73,125</u>	<u>61,802</u>
Non-current assets held for sale	-	1,772
TOTAL ASSETS	<u>109,897</u>	<u>100,957</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	1,619	1,205
Retained earnings	40,092	31,529
TOTAL EQUITY	<u>89,320</u>	<u>80,343</u>
Non-current liabilities		
Borrowings	5,717	5,627
Deferred tax liabilities	2,063	2,063
	<u>7,780</u>	<u>7,690</u>
Current liabilities		
Trade and other payables	11,593	11,445
Borrowings	1,204	1,479
	<u>12,797</u>	<u>12,924</u>
TOTAL LIABILITIES	<u>20,577</u>	<u>20,614</u>
TOTAL EQUITY AND LIABILITIES	<u>109,897</u>	<u>100,957</u>
Net assets per share attributable to owners of the parent (RM)	<u>0.19</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 5-13)

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 3RD QUARTER ENDED 31 DECEMBER 2016**
(The figures have not been audited)

Quarter ended 31 December 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	-	-	414	9,990	10,404
Dividend paid	-	-	-	(1,427)	(1,427)
Balance as at 31.12.2016	47,572	37	1,619	40,092	89,320

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 5-13)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 3RD QUARTER ENDED 31 DECEMBER 2016
(The figures have not been audited)**

	CURRENT YEAR TO DATE 31/12/16 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before tax from continuing operations	8,920
Profit before tax from discontinued operations	3,708
Profit before tax, total	<u>12,628</u>
Adjustments for:	
Bad debts written off	10
Bad debts recovery	(48)
Depreciation on property, plant and equipment	805
Gain on disposal of property, plant and equipment	(3,853)
Interest expense	217
Interest income	(303)
PPE written off	11
Unrealised gain on foreign exchange	(217)
Share of profit of a joint venture	<u>(17)</u>
Operating profit before changes in working capital	9,233
Net changes in inventories	(3,189)
Net changes in trade and other receivables	(1,848)
Net changes in trade and other payables	<u>115</u>
CASH FROM OPERATIONS	4,311
Dividend received from a joint venture	990
Tax refunded	59
Tax paid	<u>(2,330)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>3,030</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Deposits with licensed banks with original maturity of more than three months	(8)
Interest received	303
Proceeds from disposal of property, plant and equipment	5,765
Purchase of property, plant and equipment (Note 1)	<u>(507)</u>
NET CASH FROM INVESTING ACTIVITIES	<u>5,553</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of:	
- hire purchase creditor	(24)
- term loan	(200)
- bankers' acceptance	(358)
Interest paid	(217)
Dividend paid	<u>(1,427)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(2,226)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,357
EFFECTS OF EXCHANGE RATE CHANGES ON CASH & CASH EQUIVALENTS	45
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	19,556
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD (Note 2)	<u>25,958</u>
Notes:	RM'000
1) Purchase of property, plant and equipment	
Purchase of property, plant and equipment	1,020
Less: Financed by hire purchase	(397)
Less: Sales to related companies	<u>(116)</u>
Cash purchase of property, plant and equipment	<u>507</u>
2) Cash and cash equivalents	
Cash and cash equivalents included in the statement of cash flows comprise of the following:	
Cash and bank balances	27,375
Less: Deposits with licensed banks (more than three months)	<u>(1,417)</u>
Cash and bank balances at the end of the period	<u>25,958</u>

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 5-13)

KARYON INDUSTRIES BERHAD (“KIB”)

(Company No: 612797-T)

(Incorporated in Malaysia)

UNAUDITED QUARTERLY REPORT FOR THE 3RD QUARTER ENDED 31 DECEMBER 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
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
Amendments to MFRS 1, MFRS 12 and MFRS 128	Annual Improvements to MFRS Standards 2014-2016 Cycle	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	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 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
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	1,427,139	-	-
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 31 December 2016

	Investment Holding	Manufacturing of Polymeric Product	Total from Continuing Operations	Discontinued Operations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE					
Sales (Gross)	3,888	37,056	40,944	-	40,944
Inter-Segment sales	(3,882)	(2,785)	(6,667)	-	(6,667)
External	6	34,271	34,277	-	34,277
RESULT					
Segment result	(550)	3,681	3,131	3,707	6,838
Finance costs	-	(72)	(72)	-	(72)
Share of loss of a joint venture	(28)	-	(28)	-	(28)
(Loss)/Profit before tax	(578)	3,609	3,031	3,707	6,738
Taxation	(169)	(738)	(907)	(168)	(1,075)
(Loss)/Profit after tax	(747)	2,871	2,124	3,539	5,663
Consolidated Statement of Financial Position					
Segment assets	8,931	93,393	102,324	7,573	109,897
Segment liabilities	366	20,205	20,571	6	20,577

9. Segmental Reporting (cont'd)

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

9 months ended 31 December 2016

	Investment Holding	Manufacturing of Polymeric Product	Total from Continuing Operations	Discontinued Operations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE					
Sales (Gross)	6,038	108,408	114,446	41	114,487
Inter-Segment sales	(6,023)	(8,047)	(14,070)	(39)	(14,109)
External	15	100,361	100,376	2	100,378
RESULT					
Segment result	(1,531)	10,651	9,120	3,708	12,828
Finance costs	-	(217)	(217)	-	(217)
Share of profit of a joint venture	17	-	17	-	17
(Loss)/Profit before tax	(1,514)	10,434	8,920	3,708	12,628
Taxation	(256)	(2,214)	(2,470)	(168)	(2,638)
(Loss)/Profit after tax	(1,770)	8,220	6,450	3,540	9,990
Consolidated Statement of Financial Position					
Segment assets	8,931	93,393	102,324	7,573	109,897
Segment liabilities	366	20,205	20,571	6	20,577

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 January 2017 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 December 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 December 2016.

15. Performance Review

Current Financial Quarter

	3 Months Ended 31.12.2016	9 Months Ended 31.12.2016
	RM'000	RM'000
Continuing Operations		
Revenue	34,277	100,376
Profit before tax	3,031	8,920
Discontinued Operation		
Revenue	-	2
Profit before tax	3,707	3,708
Total		
Revenue	34,247	100,378
Profit before tax	6,738	12,628

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	
	31.12.2016	30.09.2016	Amount	%
	RM'000	RM'000	RM'000	
Continuing Operations				
Revenue	34,277	32,863	1,414	4.30
Profit before tax	3,031	2,456	575	23.41
Discontinued Operation				
Revenue	-	-	-	-
Profit before tax	3,707	37	3,670	>100%
Total				
Revenue	34,277	32,863	1,414	4.30
Profit before tax	6,738	2,493	4,245	>100%

The Group's revenue had increased by RM1.414 million in the current quarter under review due mainly to the increase in selling price of polymeric products.

Similarly, the Group's profit before tax for the quarter ended 31 December 2016 had also increased to RM6.738 million as compared to the profit before tax of RM2.493 million recorded in the preceding quarter. This was due mainly to the gain on disposal of a piece of leasehold land together with a corner detached factory by approximately RM3.848 million, coupled with gain on foreign exchange (realised and unrealised) of approximately RM0.808million.

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 from 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:

	Current quarter 31.12.2016 RM'000	Financial Year-To-Date 31.12.2016 RM'000
Continuing operations		
Current income tax	795	2,358
Prior year's under-provision of income tax	13	13
Foreign income tax	99	99
	<u>907</u>	<u>2,470</u>
Real property gains tax attributable to discontinued operations	168	168
Total	<u>1,075</u>	<u>2,638</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 31 December 2016 are shown below:

	As at 31.12.2016 RM'000	As at 31.12.2015 RM'000
Long Term Borrowing - secured		
Hire purchase creditor	401	N/A
Term loan	5,316	N/A
	<u>5,717</u>	<u>N/A</u>
Short Term Borrowing – secured		
Banker acceptance	799	N/A
Hire purchase creditor	101	N/A
Term loan	304	N/A
	<u>1,204</u>	<u>N/A</u>
Total	<u>6,921</u>	<u>N/A</u>

22. Realised and Unrealised Profits or Losses

	Current quarter ended 31.12.2016 RM'000	Preceding quarter ended 30.09.2016 RM'000
Total retained earnings of KIB and its subsidiaries:		
- Realised	42,111	35,678
- Unrealised	(1,846)	(2,094)
	40,265	33,584
Total share of retained earnings from a joint venture:		
- Realised	(173)	845
Total Group retained earnings	40,092	34,429

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		9 Months Ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Bad debts written off	1	N/A	10	N/A
Bad debts recovery	(13)	N/A	(48)	N/A
Depreciation on property, plant and equipment	286	N/A	805	N/A
Gain on disposal of property, plant and equipment	(3,853)	N/A	(3,853)	N/A
Net foreign exchange gain -realised	(560)	N/A	(652)	N/A
Net foreign exchange gain -unrealised	(248)	N/A	(217)	N/A
Property, plant and equipment written off	6	N/A	11	N/A
Interest income	(123)	N/A	(303)	N/A
Interest expenses	72	N/A	217	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 nine (9) 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 nine (9) months financial period.

	Current Quarter Ended		9 Months Ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Net profit for the period attributable to owners of the parent (RM'000)	5,663	N/A	9,990	N/A
Weighted average number of ordinary shares in issue ('000)	475,713	N/A	475,713	N/A
Basic EPS (sen)	1.19	N/A	2.10	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 nine (9) months financial period.