

**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 2017**  
(The figures have not been audited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	<u>CURRENT YEAR QUARTER</u> <u>30/06/17</u> <u>RM'000</u>	<u>PRECEDING YEAR CORRESPONDING QUARTER</u> <u>30/06/16</u> <u>RM'000</u>	<u>CURRENT YEAR TO DATE</u> <u>30/06/17</u> <u>RM'000</u>	<u>PRECEDING YEAR CORRESPONDING PERIOD</u> <u>30/06/16</u> <u>RM'000</u>
<b>CONTINUING OPERATIONS</b>				
Revenue	38,752	33,238	38,752	33,238
Cost of Sales	(33,608)	(27,264)	(33,608)	(27,264)
Gross Profit	5,144	5,974	5,144	5,974
Other Income	589	248	589	248
Administrative and Operating Expenses	(3,075)	(2,742)	(3,075)	(2,742)
Finance Costs	(102)	(68)	(102)	(68)
Share of Profit of a Joint Venture	137	21	137	21
Profit Before Tax	2,693	3,433	2,693	3,433
Taxation	(673)	(798)	(673)	(798)
Profit for the financial period from continuing operations	2,020	2,635	2,020	2,635
<b>DISCONTINUED OPERATION</b>				
Profit/(Loss) for the financial period from discontinued operation, net of tax	42	(36)	42	(36)
<b>PROFIT FOR THE FINANCIAL PERIOD</b>	<b>2,062</b>	<b>2,599</b>	<b>2,062</b>	<b>2,599</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Foreign currency translation	(72)	29	(30)	29
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1,990</b>	<b>2,628</b>	<b>2,032</b>	<b>2,628</b>
Profit attributable to:				
Owners of the parent	2,062	2,599	2,062	2,599
Total comprehensive income attributable to:				
Owners of the parent	1,990	2,628	2,032	2,628
Earnings per share (sen)				
Basic	0.43	0.55	0.43	0.55
Diluted	0.43	0.55	0.43	0.55

(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 2017 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 30 JUNE 2017**

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

	<b>UNAUDITED</b>	<b>AUDITED</b>
	<b>As at 30/06/17 RM'000</b>	<b>As at 31/03/17 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	31,526	31,317
Investment in a joint venture	5,296	5,231
	<b>36,822</b>	<b>36,548</b>
<b>Current assets</b>		
Inventories	18,717	22,459
Trade and other receivables	30,187	30,559
Current tax assets	1,428	1,272
Short term funds	-	9,510
Cash and cash equivalents	26,763	16,563
	<b>77,095</b>	<b>80,363</b>
<b>TOTAL ASSETS</b>	<b>113,917</b>	<b>116,911</b>
<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	1,517	1,589
Retained earnings	40,764	38,702
<b>TOTAL EQUITY</b>	<b>89,890</b>	<b>87,900</b>
<b>Non-current liabilities</b>		
Borrowings	6,030	6,183
Deferred tax liabilities	1,953	1,953
	<b>7,983</b>	<b>8,136</b>
<b>Current liabilities</b>		
Trade and other payables	13,004	15,122
Borrowings	3,040	5,753
	<b>16,044</b>	<b>20,875</b>
<b>TOTAL LIABILITIES</b>	<b>24,027</b>	<b>29,011</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>113,917</b>	<b>116,911</b>
Net assets per share attributable to owners of the parent (RM)	<b>0.19</b>	<b>0.18</b>

(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 2017 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 30 JUNE 2017**  
(The figures have not been audited)

**Quarter ended 30 June 2017**

	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 01.04.2017	47,572	37	1,589	38,702	87,900
Total comprehensive income for the period	-	-	(72)	2,062	1,990
Dividend paid	-	-	-	-	-
Balance as at 30.06.2017	47,572	37	1,517	40,764	89,890

**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

(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 2017 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 30 JUNE 2017  
(The figures have not been audited)**

	CURRENT YEAR TO DATE 30/06/17 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/06/16 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax from continuing operations	2,693	3,433
Profit/(Loss) before tax from discontinued operation	42	(36)
Profit before tax, total	<u>2,735</u>	<u>3,397</u>
Adjustments for:		
Depreciation on property, plant and equipment	280	257
Interest expense	102	68
Interest income	(120)	(99)
PPE written off	27	-
Unrealised loss/(gain) on foreign exchange	47	(128)
Share of profit of a joint venture	(137)	(21)
Operating profit before changes in working capital	2,934	3,474
Net changes in inventories	3,742	195
Net changes in trade and other receivables	341	(1,132)
Net changes in trade and other payables	<u>(2,135)</u>	<u>(989)</u>
CASH GENERATED FROM OPERATIONS	4,882	1,548
Tax paid	(865)	(731)
Tax refunded	36	-
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>4,053</u>	<u>817</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Withdrawals/(Placements) of deposits with licensed banks with original maturity date more than three months	1,093	(3)
Interest received	120	99
Purchase of property, plant and equipment (Note 1)	(516)	(144)
<b>NET CASH FROM/(USED IN) INVESTING ACTIVITIES</b>	<u>697</u>	<u>(48)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of banker's acceptance		
Repayments of:	3,767	-
- hire purchase creditor	(121)	(6)
- term loan	(138)	(51)
- bankers' acceptance	(6,374)	(1,157)
Interest paid	(102)	(68)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>(2,968)</u>	<u>(1,282)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT</b>	1,782	(513)
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH &amp; CASH EQUIVALENTS</b>	1	25
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	24,608	19,556
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD (Note 2)</b>	<u>26,391</u>	<u>19,068</u>
Notes:	<b>RM'000</b>	
<b>1) Purchase of property, plant and equipment</b>		
Purchase of property, plant and equipment	525	
Less: Sales to related companies	(9)	
Cash purchase of property, plant and equipment	<u>516</u>	
<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	26,763	
Less: Deposits with licensed banks (more than three months)	(372)	
Cash and bank balances at the end of the year	<u>26,391</u>	

(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 2017 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 30 JUNE 2017**

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 March 2017.

**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 March 2017 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 2017. 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 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
Amendments to MFRS 1 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
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	See MFRS 4 Paragraph 46 and 48
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**

The Company had on 30 November 2016 announced that a fire incident occurred on 27 November 2016, at a third party premise located adjacent to one of the manufacturing facilities of Hsing Lung Sdn Bhd, a wholly-owned subsidiary of KIB ("HLSB") ("**Fire Incident**") at No. 3, Jalan Sri Plentong 6, Taman Perindustrian Sri Plentong, 81750 Masai, Johor Darul Takzim. The Fire Incident had affected small area of the HLSB Factory, caused some damages to the raw materials and finished products and disruption to two (2) PVC production lines.

As at to-date, HLSB had received a total of RM1 million interim compensation sum from the insurance company and the financial impact to KIB and its subsidiaries in relation to the Fire Incident has yet to be finalised.

Further developments of the above matter will be announced to Bursa Securities in due course.

**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			
	2018		2017	
	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

## 9. Segmental Reporting

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

### 3 months ended 30 June 2017

	Investment Holding	Manufacturing of Polymeric Product	Total from Continuing Operations	Discontinued Operations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>REVENUE</b>					
Sales (Gross)	305	41,912	42,217	-	42,217
Inter-Segment sales	(296)	(3,169)	(3,465)	-	(3,465)
<b>External</b>	<b>9</b>	<b>38,743</b>	<b>38,752</b>	<b>-</b>	<b>38,752</b>
<b>RESULT</b>					
Segment result	(507)	3,165	2,658	42	2,700
Finance costs	-	(102)	(102)	-	(102)
Share of profit of a joint venture	137	-	137	-	137
(Loss)/Profit before tax	(370)	3,063	2,693	42	2,735
Taxation	-	(673)	(673)	-	(673)
<b>(Loss)/Profit after tax</b>	<b>(370)</b>	<b>2,390</b>	<b>2,020</b>	<b>42</b>	<b>2,062</b>
<b>Consolidated Statement of Financial Position</b>					
Segment assets	8,521	97,757	106,278	7,639	113,917
Segment liabilities	757	23,263	24,020	7	24,027

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

**3 months ended 30 June 2016**

	Investment Holding	Manufacturing of Polymeric Product	Total from Continuing Operations	Discontinued Operations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>REVENUE</b>					
Sales (Gross)	304	35,535	35,839	41	35,880
Inter-Segment sales	(300)	(2,303)	(2,603)	(39)	(2,642)
<b>External</b>	<b>4</b>	<b>33,232</b>	<b>33,236</b>	<b>2</b>	<b>33,238</b>
<b>RESULT</b>					
Segment result	(401)	3,881	3,480	(36)	3,444
Finance costs	-	(68)	(68)	-	(68)
Share of profit of a joint venture	21	-	21	-	21
(Loss)/Profit before tax	(380)	3,813	3,433	(36)	3,397
Taxation	-	(798)	(798)	-	(798)
<b>(Loss)/Profit after tax</b>	<b>(380)</b>	<b>3,015</b>	<b>2,635</b>	<b>(36)</b>	<b>2,599</b>
<b>Consolidated Statement of Financial Position</b>					
Segment assets	8,118	87,340	95,458	5,956	101,414
Segment liabilities	599	17,825	18,424	19	18,443

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 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 30 June 2017 are as follows:

	RM
Guarantees to banks for trade facilities granted	37,700,000
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

There was no capital commitment as at 30 June 2017.

### 15. Performance Review

#### Current Financial Quarter as compared with Previous Year Corresponding Quarter

	3 Months Ended		Deviation	
	30.06.2017	30.06.2016	Amount	%
	RM'000	RM'000	RM'000	
<b>Continuing Operations</b>				
Revenue	38,752	33,236	5,516	16.60
Profit before tax	2,693	3,433	(740)	(21.55)
<b>Discontinued Operation</b>				
Revenue	-	2	(2)	(100.00)
Profit/(Loss) before tax	42	(36)	78	>100.00
<b>Total</b>				
Revenue	38,752	33,238	5,514	16.59
Profit before tax	2,735	3,397	(662)	(19.49)

The Group's revenue had increased by approximately RM5.516 million or 16.60% in the current quarter under review as compared to the corresponding period in the preceding financial year, due mainly to the increase in selling price of polymeric products.

However, the profit before tax had decreased by RM0.662 million, from RM3.397 million for the period ended 30 June 2016 to RM2.735 million for the current quarter under review. This was due mainly to the increase in cost of materials.

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

	3 Months Ended		Deviation	
	30.06.2017	31.03.2017	Amount	%
	RM'000	RM'000	RM'000	
<b>Continuing Operations</b>				
Revenue	38,752	37,754	998	2.64
Profit/(Loss) before tax	2,693	(1,384)	4,077	>100.00
<b>Discontinued Operation</b>				
Revenue	-	-	-	-
Profit before tax	42	50	(8)	(16.00)
<b>Total</b>				
Revenue	38,752	37,754	998	2.64
Profit/(Loss) before tax	2,735	(1,334)	4,069	>100.00

The Group's revenue had increased by approximately RM1.000 million in the current quarter under review due mainly to the increase in selling price of polymeric products.

The Group recorded profit before tax of RM2.735 million for the quarter ended 30 June 2017 as compared to loss before tax of RM1.334 million recorded in the immediate preceding quarter. This was due mainly to the provision for repair costs on property, plant and equipment and loss on inventories, net of interim settlement from insurance company which amounted approximately to RM1.800 million in the immediate 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 2018 will remain satisfactory as the Group intends to increase its production capacity by sourcing new machinery in order to achieve higher sales and profit.

**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 30.06.2017 RM'000</b>	<b>Financial Period- To-Date 30.06.2017 RM'000</b>
Current income tax	<u>673</u>	<u>673</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 June 2017 are shown below:

	<b>As at 30.06.2017 RM'000</b>	<b>As at 30.06.2016 RM'000</b>
<b>Long Term Borrowings - secured</b>		
Hire purchase creditors	283	97
Term loans	<u>5,747</u>	<u>5,472</u>
	<b>6,030</b>	<b>5,569</b>
<b>Short Term Borrowings - secured</b>		
Banker acceptances	2,331	-
Hire purchase creditors	74	26
Term loans	<u>635</u>	<u>297</u>
	<b>3,040</b>	<b>323</b>
<b>Total</b>	<u><b>9,070</b></u>	<u><b>5,892</b></u>

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

	<b>Current quarter ended 30.06.2017 RM'000</b>	<b>Preceding quarter ended 31.03.2017 RM'000</b>
Total retained earnings of KIB and its subsidiaries:		
- Realised	42,790	40,842
- Unrealised	(2,000)	(1,977)
	40,790	38,865
Total share of retained earnings from a joint venture:		
- Realised	(26)	(163)
Total Group retained earnings	40,764	38,702

**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 dividend was declared or paid for the current financial year 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:

	<b>Current Quarter Ended</b>		<b>3 Months Ended</b>	
	<b>30.06.2017</b>	<b>30.06.2016</b>	<b>30.06.2017</b>	<b>30.06.2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Depreciation on property, plant and equipment	280	257	280	257
Net foreign exchange loss/(gain) -realised	179	(49)	179	(49)
Net foreign exchange loss/(gain) -unrealised	47	(128)	47	(128)
Property, plant and equipment written off	27	-	27	-
Interest income	(120)	(99)	(120)	(99)
Interest expenses	102	68	102	68

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

	<b>Current Quarter Ended</b>		<b>3 Months Ended</b>	
	<b>30.06.2017</b>	<b>30.06.2016</b>	<b>30.06.2017</b>	<b>30.06.2016</b>
Net profit for the period attributable to owners of the parent (RM'000)	2,062	2,599	2,062	2,599
Weighted average number of ordinary shares in issue ('000)	475,713	475,713	475,713	475,713
Basic EPS (sen)	0.43	0.55	0.43	0.55

**Diluted**

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