

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 2019**
(The figures have not been audited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	<u>CURRENT YEAR QUARTER</u> 30/06/19 RM'000	<u>PRECEDING YEAR CORRESPONDING QUARTER</u> 30/06/18 RM'000	<u>CURRENT YEAR TO DATE</u> 30/06/19 RM'000	<u>PRECEDING YEAR CORRESPONDING PERIOD</u> 30/06/18 RM'000
Revenue	37,698	39,373	37,698	39,373
Cost of Sales	(31,947)	(33,517)	(31,947)	(33,517)
Gross Profit	5,751	5,856	5,751	5,856
Other Income	248	270	248	270
Administrative and Operating Expenses	(3,425)	(3,369)	(3,425)	(3,369)
Finance Costs	(104)	(133)	(104)	(133)
Share of (Loss)/Profit of a Joint Venture	(123)	11	(123)	11
Profit Before Tax	2,347	2,635	2,347	2,635
Tax expense	(702)	(635)	(702)	(635)
PROFIT FOR THE FINANCIAL PERIOD	1,645	2,000	1,645	2,000
OTHER COMPREHENSIVE LOSS				
Foreign currency translation	(45)	(47)	(45)	(47)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,600	1,953	1,600	1,953
Profit attributable to:				
Owners of the parent	1,645	2,000	1,645	2,000
Total comprehensive income attributable to:				
Owners of the parent	1,600	1,953	1,600	1,953
Earnings per share (sen):				
- Basic	0.35	0.42	0.35	0.42
- Diluted	0.35	0.42	0.35	0.42

(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 2019 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 2019
(The figures have not been audited)

	UNAUDITED	AUDITED
	As at 30/06/19	As at 31/03/19
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	38,840	38,536
Current assets		
Inventories	22,338	28,021
Trade and other receivables	30,393	23,924
Current tax assets	2,215	2,462
Cash and cash equivalents	26,242	27,468
	81,188	81,875
Non-current assets held for sale	4,230	4,398
TOTAL ASSETS	124,258	124,809
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	47,609	47,609
Foreign currency translation reserve	1,269	1,314
Retained earnings	52,729	51,084
TOTAL EQUITY	101,607	100,007
Non-current liabilities		
Borrowings	8,053	8,205
Deferred tax liabilities	2,334	2,289
	10,387	10,494
Current liabilities		
Trade and other payables	11,341	13,273
Borrowings	923	999
Current tax liability	-	36
	12,264	14,308
TOTAL LIABILITIES	22,651	24,802
TOTAL EQUITY AND LIABILITIES	124,258	124,809
Net assets per share attributable to owners of the parent (RM)	0.21	0.21

(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 2019 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 2019**
(The figures have not been audited)

Quarter ended 30 June 2019

Balance as at 01.04.2019
Total comprehensive (loss)/income for the period
Balance as at 30.06.2019

ATTRIBUTABLE TO OWNERS OF THE PARENT				
SHARE CAPITAL	SHARE PREMIUM	FOREIGN CURRENCY TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL
RM'000	RM'000	RM'000	RM'000	RM'000
47,609	-	1,314	51,084	100,007
-	-	(45)	1,645	1,600
47,609	-	1,269	52,729	101,607

Quarter ended 30 June 2018

Balance as at 01.04.2018
Total comprehensive (loss)/income for the period
Balance as at 30.06.2018

ATTRIBUTABLE TO OWNERS OF THE PARENT				
SHARE CAPITAL	SHARE PREMIUM	FOREIGN CURRENCY TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL
RM'000	RM'000	RM'000	RM'000	RM'000
47,572	37	1,372	48,109	97,090
-	-	(47)	2,000	1,953
47,572	37	1,325	50,109	99,043

(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 2019 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 2019
(The figures have not been audited)

	CURRENT YEAR TO DATE 30/06/19 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/06/18 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	2,347	2,635
Adjustments for:		
Depreciation on property, plant and equipment	332	296
Interest expense	104	133
Interest income	(121)	(124)
Property, plant and equipment written off	-	2
Share of loss/(profit) of a joint venture	123	(11)
Unrealised gain on foreign exchange	(78)	(82)
Operating profit before changes in working capital	2,707	2,849
Net changes in inventories	5,683	(249)
Net changes in trade and other receivables	(6,414)	956
Net changes in trade and other payables	(1,914)	(1,966)
CASH GENERATED FROM OPERATIONS	62	1,590
Tax paid	(446)	(872)
Tax refunded	-	102
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(384)	820
CASH FLOWS FROM INVESTING ACTIVITIES		
Withdrawal of deposits with licensed banks with original maturity date more than three months	-	1,510
Interest received	121	124
Purchase of property, plant and equipment	(636)	(7,427)
NET CASH USED IN INVESTING ACTIVITIES	(515)	(5,793)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdowns of:		
- term loan	-	4,500
- bankers' acceptance	-	2,696
Repayments of:		
- hire purchase creditors	(29)	(18)
- term loans	(199)	(152)
- bankers' acceptance	-	(1,633)
Interest paid	(104)	(133)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(332)	5,260
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,231)	287
EFFECTS OF EXCHANGE RATE CHANGES ON CASH & CASH EQUIVALENTS	5	31
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	27,468	26,421
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	26,242	26,739

(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 2019 and the accompanying explanatory notes attached to this interim financial statements on page 5-11)

KARYON INDUSTRIES BERHAD (“KIB” OR “COMPANY”)

(Company No: 612797-T)

(Incorporated in Malaysia)

UNAUDITED QUARTERLY REPORT FOR THE 1ST QUARTER ENDED 30 JUNE 2019

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 2019.

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 2019 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 2019. 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 MFRSs issued but not yet effective		Effective for annual periods beginning on or after
Amendments to References to the Conceptual Framework in MFRS Standards		1 January 2020
Amendments to MFRS 3	Business Combinations - Definition of a Business	1 January 2020
Amendments to MFRS 101	Presentation of Financial Statements - Definition of Material	1 January 2020
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material	1 January 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Consolidated Financial Statements and Investments in Associates - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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. Dividend Paid

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

	Company			
	2020		2019	
	Gross dividend per share sen	Amount of dividend RM	Gross dividend per share sen	Amount of dividend RM
In respect of the financial year ended 31 March 2019 First interim single tier dividend of 0.30 sen per ordinary share, declared on 6 August 2018 and paid on 13 September 2018	-	-	0.30	1,427,139

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 2019

	Investment Holding	Manufacturing of Polymeric Product	Others	Total
	RM'000	RM'000	RM'000	RM'000
REVENUE				
Sales (Gross)	1,054	39,857	-	40,911
Inter-Segment sales	(990)	(2,223)	-	(3,213)
External	64	37,634	-	37,698
RESULT				
Segment result	(871)	3,442	3	2,574
Finance costs	-	(104)	-	(104)
Share of loss of a joint venture	(123)	-	-	(123)
(Loss)/Profit before tax	(994)	3,338	3	2,347
Tax expense	(85)	(617)	-	(702)
(Loss)/Profit after tax	(1,079)	2,721	3	1,645
Consolidated Statement of Financial Position				
Segment assets	12,968	110,866	424	124,258
Segment liabilities	910	21,737	4	22,651

3 months ended 30 June 2018

	Investment Holding	Manufacturing of Polymeric Product	Others	Total
	RM'000	RM'000	RM'000	RM'000
REVENUE				
Sales (Gross)	1,058	41,972	-	43,030
Inter-Segment sales	(990)	(2,667)	-	(3,657)
External	68	39,305	-	39,373
RESULT				
Segment result	(745)	3,501	1	2,757
Finance costs	-	(133)	-	(133)
Share of profit of a joint venture	11	-	-	11
(Loss)/Profit before tax	(734)	3,368	1	2,635
Tax expense	(72)	(563)	-	(635)
(Loss)/Profit after tax	(806)	2,805	1	2,000
Consolidated Statement of Financial Position				
Segment assets	13,704	112,162	422	126,288
Segment liabilities	903	26,335	7	27,245

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. Events Subsequent to the End of the Current Financial Quarter

The terminal audit of Karyon (Jinhua) Advanced Materials Co., Ltd ("KJAM") has been completed on 1 August 2019. Based on the terminal audit, Karyon Ventures Sdn. Bhd. will receive a distribution sum of RMB6,929,608 (equivalent of RM4,162,616 based on the exchange rate of RMB1:RM0.6007 according to Bank Negara Malaysia's middle exchange rate as at 12.00p.m. on 1 August 2019), representing 66.67% of the distributable net assets of KJAM as at 19 July 2019.

The abovementioned event has no material impact on the operations of the Group.

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

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

14. Capital Commitment

Capital commitment as at 30 June 2019 is as follows:

Capital expenditure in respect of purchase of property, plant and equipment:	RM
Contracted but not provided for	379,012

15. Performance Review

Current Financial Quarter as compared with Previous Year Corresponding Quarter

	3 Months Ended		Deviation	
	30.06.2019	30.06.2018	Amount	%
	RM'000	RM'000	RM'000	
Revenue	37,698	39,373	(1,675)	(4.25)
Profit before tax	2,347	2,635	(288)	(10.93)

The Group's revenue had decreased by RM1.675 million or 4.25% in the current quarter under review as compared to the corresponding quarter in the preceding financial period, due mainly to the lower sales of polymeric products of 392 metric tons.

The Group's profit before tax had also decreased by RM0.288 million, from RM2.635 million for the quarter ended 30 June 2018 to RM2.347 million for the current quarter under review which was due mainly to the decrease in revenue as mentioned above and share of loss of joint venture of RM0.123 million. The share of loss of joint venture was due mainly to cessation of all operations of KJAM with effect from 31 December 2018.

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

	3 Months Ended		Deviation	
	30.06.2019	31.03.2019	Amount	%
	RM'000	RM'000	RM'000	
Revenue	37,698	35,239	2,459	6.98
Profit before tax	2,347	590	1,757	297.80

The Group's revenue and profit before tax had increased by RM2.459 million and RM1.757 million, respectively, in the current quarter under review which were due mainly to the increase in sales of polymeric products of 447 metric tons. Besides, the lower sales of polymeric products in previous quarter was due mainly to lower production output as a result of machine breakdown.

17. Future Prospects

The Board of Directors of the Company expects that the Group's operating environment and condition to be challenging given the geopolitical uncertainty that could adversely impact global trade.

Notwithstanding that, the Group will continue to develop competitive products to improve its efficiency and cost management to ensure price competitiveness on its products. The Group will continue to seek opportunity to venture into related business segments that can synergise with the Group's current business model.

With these in place, the Board is of the opinion that the financial performance of the Group for the financial year ending 31 March 2020 would remain satisfactory.

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 30.06.2019 RM'000	Financial Period- To-Date 30.06.2019 RM'000
Current income tax	657	657
Deferred tax liabilities	45	45
	<u>702</u>	<u>702</u>

The Group's effective tax rate was higher than the statutory tax rate 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 2019 are shown below:

	As at 30.06.2019 RM'000	As at 30.06.2018 RM'000
Long Term Borrowings - secured		
Hire purchase creditors	267	205
Term loans	7,786	8,906
	<u>8,053</u>	<u>9,111</u>
Short Term Borrowings - secured		
Banker acceptances	-	2,346
Hire purchase creditors	119	78
Term loans	804	1,001
	<u>923</u>	<u>3,425</u>
Total	<u>8,976</u>	<u>12,536</u>

22. Material Litigation

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

23. Dividend Payable

No dividend was declared or paid for the current financial quarter under review.

24. 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	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Depreciation on property, plant and equipment	332	296	332	296
Net foreign exchange (gain)/ loss - realised	(32)	90	(32)	90
Net foreign exchange gain - unrealised	(78)	(82)	(78)	(82)
Property, plant and equipment written off	-	2	-	2
Interest income	(121)	(124)	(121)	(124)
Interest expenses	104	133	104	133

Save as disclosed above, the other items required under Paragraph 16, Part A of Appendix 9B of the Main Market Listing Requirements of Bursa Securities are not applicable.

25. 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.

	Current Quarter Ended		3 Months Ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
Profit attributable to owners of the parent (RM'000)	1,645	2,000	1,645	2,000
Weighted average number of ordinary shares in issue ('000)	475,713	475,713	475,713	475,713
Basic EPS (sen)	0.35	0.42	0.35	0.42

Diluted

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