

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE 2ND QUARTER ENDED 30 SEPTEMBER 2020**
(The figures have not been audited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	<u>CURRENT YEAR QUARTER</u> 30/09/20 RM'000	<u>PRECEDING YEAR CORRESPONDING QUARTER</u> 30/09/19 RM'000	<u>CURRENT YEAR TO DATE</u> 30/09/20 RM'000	<u>PRECEDING YEAR CORRESPONDING PERIOD</u> 30/09/19 RM'000
Revenue	34,427	39,962	56,360	77,660
Cost of Sales	(28,459)	(33,851)	(47,945)	(65,798)
Gross Profit	5,968	6,111	8,415	11,862
Other Income	309	1,401	797	1,649
Administrative and Operating Expenses	(4,019)	(3,450)	(6,697)	(6,875)
Finance Costs	(67)	(102)	(141)	(206)
Share of Loss of a Joint Venture	-	(58)	-	(181)
Profit Before Tax	2,191	3,902	2,374	6,249
Tax expense	(753)	(960)	(887)	(1,662)
PROFIT FOR THE FINANCIAL PERIOD	1,438	2,942	1,487	4,587
OTHER COMPREHENSIVE LOSS				
Foreign currency translation	-	(27)	-	(72)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,438	2,915	1,487	4,515
Profit attributable to:				
Owners of the parent	1,438	2,942	1,487	4,587
Total comprehensive income attributable to:				
Owners of the parent	1,438	2,915	1,487	4,515
Earnings per share (sen):				
- Basic	0.30	0.62	0.31	0.96
- Diluted	0.30	0.62	0.31	0.96

(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 2020 and the accompanying explanatory notes attached to this interim financial statements on page 5-12)

KARYON INDUSTRIES BERHAD (Registration No: 200301010377 (612797-T))
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020
(The figures have not been audited)

	UNAUDITED	AUDITED
	As at 30/09/20 RM'000	As at 31/03/20 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	39,672	39,252
Current assets		
Inventories	16,554	25,123
Trade and other receivables	23,787	25,475
Current tax assets	702	279
Cash and cash equivalents	45,349	41,718
	<u>86,392</u>	<u>92,595</u>
TOTAL ASSETS	<u>126,064</u>	<u>131,847</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	47,609	47,609
Retained earnings	55,840	55,780
TOTAL EQUITY	<u>103,449</u>	<u>103,389</u>
Non-current liabilities		
Borrowings	7,012	7,398
Deferred tax liabilities	2,611	2,492
	9,623	9,890
Current liabilities		
Trade and other payables	12,050	17,745
Borrowings	857	822
Current tax liability	85	1
	12,992	18,568
TOTAL LIABILITIES	<u>22,615</u>	<u>28,458</u>
TOTAL EQUITY AND LIABILITIES	<u>126,064</u>	<u>131,847</u>
Net assets per share attributable to owners of the parent (RM)	<u>0.22</u>	<u>0.22</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 2020 and the accompanying explanatory notes attached to this interim financial statements on page 5-12)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 2ND QUARTER ENDED 30 SEPTEMBER 2020
(The figures have not been audited)

Quarter ended 30 September 2020

	ATTRIBUTABLE TO OWNERS OF THE PARENT			
	SHARE CAPITAL	FOREIGN CURRENCY TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Balance as at 01.04.2020	47,609	-	55,780	103,389
Total comprehensive income for the period	-	-	1,487	1,487
Dividend paid	-	-	(1,427)	(1,427)
Balance as at 30.09.2020	47,609	-	55,840	103,449

Quarter ended 30 September 2019

	ATTRIBUTABLE TO OWNERS OF THE PARENT			
	SHARE CAPITAL	FOREIGN CURRENCY TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Balance as at 01.04.2019	47,609	1,314	51,084	100,007
Total comprehensive (loss)/income for the period	-	(72)	4,587	4,515
Dividend paid	-	-	(2,141)	(2,141)
Realisation of reserve on liquidation of a joint venture	-	(1,242)	-	(1,242)
Balance as at 30.09.2019	47,609	-	53,530	101,139

(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 2020 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 2020
(The figures have not been audited)

	CURRENT YEAR TO DATE 30/09/20 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/09/19 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	2,374	6,249
Adjustments for:		
Depreciation on property, plant and equipment	683	675
Gain on liquidation of a joint venture	-	(1,210)
Loss on disposal of property, plant and equipment	53	-
Interest expense	141	206
Interest income	(472)	(273)
Property, plant and equipment written off	2	5
Share of loss of a joint venture	-	181
Unrealised gain on foreign exchange	(24)	(79)
Operating profit before changes in working capital	2,757	5,754
Net changes in inventories	8,569	7,912
Net changes in trade and other receivables	1,554	(7,018)
Net changes in trade and other payables	(5,485)	(2,890)
CASH GENERATED FROM OPERATIONS	7,395	3,758
Interest received	105	-
Tax paid	(1,108)	(974)
Tax refunded	1	618
NET CASH FROM OPERATING ACTIVITIES	6,393	3,402
CASH FLOWS FROM INVESTING ACTIVITIES		
Withdrawal/(Placement) of deposits with licensed banks with original maturity date more than three month	9,597	(3,600)
Interest received	367	273
Proceeds from disposal of property, plant and equipment	25	4,113
Purchase of property, plant and equipment	(1,183)	(1,137)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	8,806	(351)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdowns of bankers' acceptance	-	141
Repayments of:		
- hire purchase creditors	-	(57)
- lease liabilities	(42)	-
- term loans	(315)	(439)
Interest paid	(135)	(206)
Dividends paid	(1,427)	(2,141)
NET CASH USED IN FINANCING ACTIVITIES	(1,919)	(2,702)
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,280	349
EFFECTS OF EXCHANGE RATE CHANGES ON CASH & CASH EQUIVALENTS	(52)	1
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	27,154	27,468
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD (Note 1)	40,382	27,818

Note 1: Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise of the following:

	RM'000
Cash and bank balances	45,349
Less: Deposits with licensed banks (more than three months)	(4,967)
Cash and bank balances at the end of the period	40,382

(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 2020 and the accompanying explanatory notes attached to this interim financial statements on page 5-12)

UNAUDITED QUARTERLY REPORT FOR THE 2ND QUARTER ENDED 30 SEPTEMBER 2020

Explanatory notes to the Interim Financial Statements

1. Accounting Policies and Basis of Preparation

The interim financial statements have 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 2020.

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 audited financial statements for the financial year ended 31 March 2020 except for the MFRS, Amendments to MFRS and IC Interpretations which are effective for the annual period beginning on 1 January 2020. The adoption of these MFRS, Amendments to MFRS and Interpretations will have no material impact on the financial statements of the Group.

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 MFRS 16	Covid-19-Related Rent Concessions	1 June 2020
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4, MFRS 16	Interest Rate Benchmark Reform - Phase 2	1 January 2021
Amendments to MFRS 1, MFRS 9 and MFRS 141	Annual Improvements to MFRS Standards 2018-2020	1 January 2022
Amendments to MFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2023
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 and financial period-to-date.

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 and financial period-to-date.

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 quarter under review and 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 and financial period-to-date.

8. Dividends Paid

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

	Company			
	2021		2020	
	Gross dividend per share sen	Amount of dividend RM	Gross dividend per share sen	Amount of dividend RM
In respect of the financial year ending 31 March 2021 First interim single-tier dividend of 0.30 sen per ordinary share, declared on 25 June 2020 and paid on 24 July 2020	0.30	1,427,139	-	-
In respect of the financial year ended 31 March 2020 First interim single-tier dividend of 0.30 sen per ordinary share, declared on 28 August 2019 and paid on 30 September 2019	-	-	0.30	1,427,139
Special single-tier dividend of 0.15 sen per ordinary share, declared on 28 August 2019 and paid on 30 September 2019	-	-	0.15	713,568

9. Segmental Reporting

The segmental result of the Group for the current financial quarter under review and the preceding year corresponding quarter are set out below:

3 months ended 30 September 2020

	Investment Holding	Manufacturing of Polymeric Product	Others	Total
	RM'000	RM'000	RM'000	RM'000
REVENUE				
Sales (Gross)	2,630	35,666	-	38,296
Inter-Segment sales	(2,550)	(1,319)	-	(3,869)
External	80	34,347	-	34,427
RESULT				
Segment result	(734)	2,988	4	2,258
Finance costs	-	(67)	-	(67)
(Loss)/Profit before tax	(734)	2,921	4	2,191
Tax expense	(229)	(522)	(2)	(753)
(Loss)/Profit after tax	(963)	2,399	2	1,438
Consolidated Statement of Financial Position				
Segment assets	12,986	112,647	431	126,064
Segment liabilities	1,085	21,522	8	22,615

3 months ended 30 September 2019

	Investment Holding	Manufacturing of Polymeric Product	Others	Total
	RM'000	RM'000	RM'000	RM'000
REVENUE				
Sales (Gross)	3,545	42,006	-	45,551
Inter-Segment sales	(3,482)	(2,107)	-	(5,589)
External	63	39,899	-	39,962
RESULT				
Segment result	305	3,758	(1)	4,062
Finance costs	-	(102)	-	(102)
Share of loss of a joint venture	(58)	-	-	(58)
Profit/(Loss) before tax	247	3,656	(1)	3,902
Tax expense	(246)	(714)	-	(960)
Profit/(Loss) after tax	1	2,942	(1)	2,942
Consolidated Statement of Financial Position				
Segment assets	12,410	110,104	424	122,938
Segment liabilities	771	21,022	6	21,799

9. Segmental Reporting (cont'd)

The segmental result of the Group for the cumulative financial quarter under review and the preceding year corresponding period are set out below:

6 months ended 30 September 2020

	Investment Holding	Manufacturing of Polymeric Product	Others	Total
	RM'000	RM'000		RM'000
REVENUE				
Sales (Gross)	3,645	58,626	-	62,271
Inter-Segment sales	(3,540)	(2,371)	-	(5,911)
External	105	56,255	-	56,360
RESULT				
Segment result	(1,403)	3,915	3	2,515
Finance costs	-	(141)	-	(141)
(Loss)/Profit before tax	(1,403)	3,774	3	2,374
Tax expense	(319)	(566)	(2)	(887)
(Loss)/Profit after tax	(1,722)	3,208	1	1,487
Consolidated Statement of Financial Position				
Segment assets	12,986	112,647	431	126,064
Segment liabilities	1,085	21,522	8	22,615

6 months ended 30 September 2019

	Investment Holding	Manufacturing of Polymeric Product	Others	Total
	RM'000	RM'000		RM'000
REVENUE				
Sales (Gross)	4,599	81,863	-	86,462
Inter-Segment sales	(4,472)	(4,330)	-	(8,802)
External	127	77,533	-	77,660
RESULT				
Segment result	(566)	7,200	2	6,636
Finance costs	-	(206)	-	(206)
Share of loss of a joint venture	(181)	-	-	(181)
(Loss)/Profit before tax	(747)	6,994	2	6,249
Tax expense	(331)	(1,331)	-	(1,662)
(Loss)/Profit after tax	(1,078)	5,663	2	4,587
Consolidated Statement of Financial Position				
Segment assets	12,410	110,104	424	122,938
Segment liabilities	771	21,022	6	21,799

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

There were no material events that have occurred from 1 October 2020 to the date of this 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

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 September 2020 is as follows:

Capital expenditure in respect of purchase of property, plant and equipment:	<u>RM</u>
Contracted but not provided for	<u>457,000</u>

15. Performance Review

Current Financial Quarter as compared with Previous Year Corresponding Quarter

	3 Months Ended		Deviation	
	30.09.2020	30.09.2019	Amount	%
	RM'000	RM'000	RM'000	
Revenue	34,427	39,962	(5,535)	(13.85)
Profit before tax ("PBT")	2,191	3,902	(1,711)	(43.85)

The Group's revenue had decreased by RM5.54 million or 13.85% in the current quarter under review as compared to the corresponding quarter in the preceding financial period was due mainly to the decrease in sales of polymeric products by 1,597 metric tons as a result of lower orders from existing customers.

The Group's PBT had decreased by RM1.71 million, from RM3.90 million for the quarter ended 30 September 2019 to RM2.19 million for the current quarter under review. This was due mainly to lower sales of polymeric products and sales tax imposed by Jabatan Kastam Diraja Malaysia amounted to approximately RM0.78 million arising from different classification of product tariff code as detailed in the Company's announcements dated 18 September 2020 and 1 October 2020. In addition, there was a one off gain on liquidation of Karyon (Jinhua) Advanced Materials Co., Ltd of RM1.21 million recognised in the corresponding quarter in the preceding financial period.

15. Performance Review (cont'd)

Current Financial Period as compared with Previous Year Corresponding Period

	6 Months Ended		Deviation	
	30.09.2020	30.09.2019	Amount	%
	RM'000	RM'000	RM'000	
Revenue	56,360	77,660	(21,300)	(27.43)
PBT	2,374	6,249	(3,875)	(62.01)

The World Health Organisation had on 11 March 2020, declared the Coronavirus disease (“COVID-19”) outbreak as a global pandemic. The subsequent containment measures by the Government, i.e. the Movement Control Order (“MCO”) on 18 March 2020 had resulted in the temporary halt of business operations with a sudden closure of the Group’s factory. The Group has only resumed its production in stages from April 2020. This has affected the Group’s production and sales volume for the current cumulative financial quarter ended 30 September 2020 with a 27.43% decrease in the revenue to RM56.36 million as compared to the corresponding period in the preceding financial period. The significant decrease in revenue had consequently affected the PBT with a 62.01% decrease to RM2.37 million in the current cumulative financial quarter ended 30 September 2020 as compared to the corresponding period in the preceding financial period.

In addition, the PBT in the current cumulative financial quarter ended 30 September 2020 also affected by the payment of sales tax amounting to RM0.78 million as mentioned above.

16. Material Changes in PBT as Compared with the Immediate Preceding Quarter

	3 Months Ended		Deviation	
	30.09.2020	30.06.2020	Amount	%
	RM'000	RM'000	RM'000	
Revenue	34,427	21,933	12,494	56.96
PBT	2,191	183	2,008	1,079.27

The Group’s revenue and PBT had increased by RM12.49 million and RM2.01 million in the current quarter under review, as compared to RM21.93 million and RM0.183 million for the quarter ended 30 June 2020 as the Group is in the midst of recovering from the impact of COVID-19 pandemic and MCO. In the immediate preceding quarter, the Group’s business operations were temporary halted with a sudden closure of the Group’s factory on 18 March 2020 arising from the MCO. The Group had only resumed its production in stages from April 2020. As such, the results of the immediate preceding financial quarter was affected by the COVID-19 pandemic as well as the subsequent MCO as mentioned in the previous financial quarter.

17. Future Prospects

The Group is currently in the midst of recovering from the impact of COVID-19 pandemic and MCO which can be evidenced by the increase in revenue during the current financial quarter under review. As the impact of the COVID-19 pandemic remains to be seen, the Board and management of the Group will continue to exercise due care and prudence in view of the uncertainties and challenges ahead.

The Group will continue to focus and expand on its existing revenue generating business units by developing competitive products and related downstream industries. The Group will also focus on elements that are within its control which include improving its efficiency and cost management in order to maintain price competitiveness on its products in order to improve the Group’s overall performance for the financial year ending 31 March 2021.

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 30.09.2020 RM'000	Financial Period- To-Date 30.09.2020 RM'000
Current income tax	678	768
Deferred tax liabilities	75	119
	<u>753</u>	<u>887</u>

The Group's effective tax rate was higher than the statutory tax rate due mainly to certain expenses which are disallowed for tax purposes.

20. Status of Corporate Proposal

There was no corporate proposal announced but not completed as at the reporting date.

21. Group Borrowings and Debt Securities

The Group's borrowings, which are all denominated in Ringgit Malaysia, as at 30 September 2020 are shown below:

	As at 30.09.2020 RM'000	As at 30.09.2019 RM'000
Long Term Borrowings - secured		
Hire purchase creditors	-	237
Lease liabilities	135	-
Term loans	6,877	7,632
	<u>7,012</u>	<u>7,869</u>
Short Term Borrowings - secured		
Banker acceptances	-	141
Hire purchase creditors	-	121
Lease liabilities	126	-
Term loans	731	718
	<u>857</u>	<u>980</u>
Total	<u>7,869</u>	<u>8,849</u>

22. Material Litigation

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

23. Dividends Payable

Second single tier interim dividend of 0.70 sen per share in respect of the financial year ending 31 March 2021 was declared on 1 October 2020 and paid on 30 October 2020 to Depositors who are registered in the Record of Depositors of the Company on 15 October 2020 which amounted to RM3,329,993.

The total dividends declared and paid to date for the financial year ending 31 March 2021 is RM4,757,132 (31.03.2020: RM2,140,707).

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		6 Months Ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Bad debts recovered	(127)	-	(127)	-
Depreciation on property, plant and equipment	345	343	683	675
Gain on liquidation of a joint venture	-	1,210	-	1,210
Loss on disposal of property, plant and equipment	-	-	53	-
Net foreign exchange loss - realised	227	58	151	26
Net foreign exchange loss/(gain) - unrealised	62	(1)	(24)	(79)
Property, plant and equipment written off	2	5	2	5
Interest income	(335)	(152)	(472)	(273)
Interest expenses	67	102	141	206

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 6 months financial period, divided by the weighted average number of ordinary shares of KIB during the current financial quarter and the 6 months financial period.

	Current Quarter Ended		6 Months Ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
Profit attributable to owners of the parent (RM'000)	1,438	2,942	1,487	4,587
Weighted average number of ordinary shares in issue ('000)	475,713	475,713	475,713	475,713
Basic EPS (sen)	0.30	0.62	0.31	0.96

Diluted

The diluted EPS for the current financial quarter and the 6 months financial period is equal to the basic EPS for the respective financial period as there were no outstanding dilutive potential ordinary shares at the end of each reporting period.