



KAREX BERHAD

(Incorporated in Malaysia)

(1018579-U)

Interim Financial Report for the Fourth Quarter Ended 30 June 2014

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KAREX BERHAD (1018579-U)
(Incorporated in Malaysia)

Interim financial report for the fourth quarter ended 30 June 2014
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS ⁽¹⁾

	Note	3 MONTHS ENDED		12 MONTHS ENDED	
		30.6.2014 ⁽²⁾ RM'000	30.6.2013 ⁽³⁾ RM'000	30.6.2014 ⁽²⁾ RM'000	30.6.2013 ⁽³⁾ RM'000
Revenue		63,136	-	219,927	-
Cost of goods sold		(44,102)	-	(155,952)	-
Gross profit		19,034	-	63,975	-
Other income		150	-	1,452	-
Distribution expenses		(2,366)	-	(9,125)	-
Administrative expenses		(2,926)	(158)	(11,887)	(632)
Other expenses		(142)	-	(2,645)	-
Result from operating activities		13,750	(158)	41,770	(632)
Interest income		364	-	1,332	-
Finance costs		(516)	-	(1,561)	-
Net finance costs		(152)	-	(229)	-
Profit/ (Loss) before tax	B13	13,598	(158)	41,541	(632)
Tax expense	B6	(1,395)	-	(6,956)	-
Profit/ (Loss) for the period		12,203	(158)	34,585	(632)
Profit/ (Loss) for the period attributable to:					
- Owners of the Company		12,203	(158)	34,585	(632)
Earnings/ (Losses) per share attributable to owners of the Company (sen):					
- Basic	B11	3.01	(1,975,000)	14.55	(9,028,571)
- Diluted	B11	3.01	(1,975,000)	14.55	(9,028,571)

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Proforma Consolidated Financial Information and Accountants' Report for the financial year ended 30 June 2013 as disclosed in the Prospectus of the Company dated 11 October 2013 and the accompanying explanatory notes as attached to this interim financial statements.
- (2) As the Acquisitions (as detailed in Note B7 (A)(i)) were completed on 23 September 2013, the Group did not consolidate the financial performance of these subsidiaries from 23 September 2013 to 30 September 2013 due to impracticability of an accounting cut-off date other than month end and the effect is not significant to the results for financial year ended 30 June 2014. The Group has consolidated the results from 1 October 2013 onwards. If the Group had existed since last financial year, management estimated the consolidated results as disclosed in Note B1.
- (3) The comparative figures for the preceding quarter and preceding year were the Company level performance for the year ended 30 June 2013 before the completion of the Acquisitions (as detailed in Note B7 (A)(i)), Public Issue (as detailed in Note B7 (A)(ii)) and Bonus issue (as detailed in Note B7 (B)).

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(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF OTHER
COMPREHENSIVE INCOME ⁽¹⁾**

	3 MONTHS ENDED		12 MONTHS ENDED		
	Note	30.6.2014 ⁽²⁾ RM'000	30.6.2013 ⁽³⁾ RM'000	30.6.2014 ⁽²⁾ RM'000	30.6.2013 ⁽³⁾ RM'000
Profit/ (Loss) for the period		12,203	(158)	34,585	(632)
Other comprehensive loss, net of tax					
Items that may be reclassified					
subsequently to profit or loss					
Foreign currency translation		(403)	-	(922)	-
differences for foreign operations					
Comprehensive income/ (loss) for the period		11,800	(158)	33,663	(632)
Comprehensive income/ (loss) attributable to:					
- Owners of the Company		11,800	(158)	33,663	(632)

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the Proforma Consolidated Financial Information and Accountants' Report for the financial year ended 30 June 2013 as disclosed in the Prospectus of the Company dated 11 October 2013 and the accompanying explanatory notes as attached to this interim financial statements.
- (2) As the Acquisitions (as detailed in Note B7 (A)(i)) were completed on 23 September 2013, the Group did not consolidate the financial performance of these subsidiaries from 23 September 2013 to 30 September 2013 due to impracticability of an accounting cut-off date other than month end and the effect is not significant to the results for financial year ended 30 June 2014 . The Group has consolidated the results from 1 October 2013 onwards. If the Group had existed since last financial year, management estimated the consolidated results as disclosed in Note B1.
- (3) The comparative figures for the preceding quarter and preceding year were the Company level performance for the year ended 30 June 2013 before the completion of the Acquisitions (as detailed in Note B7 (A)(i)), Public Issue (as detailed in Note B7 (A)(ii)) and Bonus issue (as detailed in Note B7 (B)).

KAREX BERHAD (1018579-U)
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Interim financial report for the fourth quarter ended 30 June 2014

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION ⁽¹⁾

	<u>Note</u>	AS AT 30.6.2014 RM'000	AS AT 30.6.2013 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		86,173	-
Deferred tax assets		142	-
		<u>86,315</u>	<u>-</u>
CURRENT ASSETS			
Inventories		40,470	-
Trade and other receivables		77,487	945
Cash and cash equivalents		85,592	-
		<u>203,549</u>	<u>945</u>
TOTAL ASSETS		<u>289,864</u>	<u>945</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		101,250	-
Reserves		122,082	(632) ⁽⁴⁾
TOTAL EQUITY		<u>223,332</u>	<u>(632)</u>
NON-CURRENT LIABILITIES			
Loan and borrowings	B8	10,380	-
Deferred tax liabilities		4,488	-
		<u>14,868</u>	<u>-</u>
CURRENT LIABILITIES			
Loan and borrowings	B8	11,214	-
Trade and other payables		38,887	1,577
Provision for taxation		1,563	-
		<u>51,664</u>	<u>1,577</u>
TOTAL LIABILITIES		<u>66,532</u>	<u>1,577</u>
TOTAL EQUITY AND LIABILITIES		<u>289,864</u>	<u>945</u>
Net assets/ (liabilities) per share attributable to owners of the Company (RM)		<u>0.55</u> ⁽²⁾	<u>(79,000.00)</u> ⁽³⁾

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Proforma Consolidated Financial Information and Accountants' Report for the financial year ended 30 June 2013 as disclosed in the Prospectus of the Company dated 11 October 2013 and the accompanying explanatory notes as attached to this interim financial statements.
- (2) Based on the issued share capital of 405,000,000 shares after the completion of the Acquisitions (as detailed in Note B7 (A)(i)), Public Issue (as detailed in Note B7 (A)(ii)) and Bonus issue (as detailed in Note B7 (B)).
- (3) Based on 8 shares before the completion of the Acquisitions (as detailed in Note B7 (A)(i)), Public Issue (as detailed in Note B7 (A)(ii)) and Bonus issue (as detailed in Note B7 (B)).
- (4) This represent RM2.00 for 8 ordinary shares of RM 0.25 each.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ⁽¹⁾

	←	Attributable to owners of the Company					→	Total equity
		← Non-distributable			→ Distributable			
		Share capital	Share premium	Merger reserve	Translation reserve	Other reserve		
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
30 June 2014								
At 1 July 2013		- ⁽²⁾	-	-	-	-	(632)	(632)
Effect arising from Acquisitions	B7 (A)(i)	57,375	-	63,511	-	-	-	120,886
Public issue of shares	B7 (A)(ii)	10,125	64,800	-	-	-	-	74,925
Share issue expenses		-	(5,510)	-	-	-	-	(5,510)
Bonus issue		33,750	(33,750)	-	-	-	-	-
Transfer of reserves		-	-	-	-	718	(718)	-
Foreign currency translation differences for foreign operations		-	-	-	(922)	-	-	(922)
Total other comprehensive loss for the year		-	-	-	(922)	-	-	(922)
Profit for the year		-	-	-	-	-	34,585	34,585
Comprehensive (loss)/income for the year		-	-	-	(922)	-	34,585	33,663
At 30 June 2014		101,250	25,540	63,511	(922)	718	33,235	223,332

Notes:

(1) The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Proforma Consolidated Financial Information and Accountants' Report for the financial year ended 30 June 2013 as disclosed in the Prospectus of the Company dated 11 October 2013 and the accompanying explanatory notes as attached to this interim financial statements.

(2) This represent RM2.00 for 8 ordinary shares of RM 0.25 each.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS ⁽¹⁾

	Note	12 MONTHS ENDED	
		30.6.2014 RM'000	30.6.2013 ⁽²⁾ RM'000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit/ (loss) before tax		41,541	(632)
Adjustment for:			
Non-cash items		5,668	-
Operating profit/ (loss) before changes in working capital		47,209	(632)
Net changes in current assets		(11,427)	(945)
Net changes in current liabilities		(2,831)	1,577
Cash generated from operations		32,951	-
Tax paid		(7,539)	-
Net cash from operating activities		25,412	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment		(9,950)	-
Acquisition of subsidiaries, net cash and cash equivalents acquired	B7 (A)(i)	19,151	-
Proceeds from disposal of property, plant and equipment		185	-
Interest received		1,332	-
Net cash from investing activities		10,718	-
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceed from public issue of shares	B7 (A)(ii)	74,925	-
Payment for share issue expenses		(5,510)	-
Net repayment of borrowings and interest paid		(27,485)	-
Increased placement in fixed deposits pledged to licensed banks		(618)	-
Net cash from financing activities		41,312	-
Net changes in cash and cash equivalents		77,442	-
Effect of exchange rate fluctuations on cash held		(53)	-
Cash and cash equivalents at beginning of the year/ date of incorporation		- ⁽³⁾	- ⁽³⁾
Cash and cash equivalents at end of the year		77,389	- ⁽³⁾

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS ⁽¹⁾

Cash and cash equivalents

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

	12 MONTHS ENDED	
	30.6.2014	30.6.2013 ⁽²⁾
	RM'000	RM'000
Cash and bank balances	29,446	-
Deposits with licensed banks	11,134	-
Deposit with other corporation	45,012	-
	85,592	-
Less: Fixed deposit pledged	(8,203)	-
	77,389	-

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Proforma Consolidated Financial Information and Accountants' Report for the financial year ended 30 June 2013 as disclosed in the Prospectus of the Company dated 11 October 2013 and the accompanying explanatory notes as attached to this interim financial statements.
- (2) The comparative figures for the preceding year was the Company level cash flow for the year ended 30 June 2013 before the completion of the Acquisitions (as detailed in Note B7 (A)(i)), Public Issue (as detailed in Note B7 (A)(ii)) and Bonus issue (as detailed in Note B7 (B)).
- (3) This represent RM2.00.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

A. EXPLANATION NOTES PURSUANT TO MALAYSIA FINANCIAL REPORTING STANDARD ("MFRS") 134: INTERIM FINANCIAL REPORTING

A1. Accounting policies and methods of computation

The interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134: "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB"), International Accounting Standard ("IAS") 34: "Interim Financial Reporting" issued by the International Accounting Standard Board ("IASB") and paragraph 9.22 (Appendix 9B Part 9A) of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

This is the fourth interim financial statements on the consolidation results for the fourth quarter ended 30 June 2014 announced by the Company in compliance with the Listing Requirements.

The interim financial statements should be read in conjunction with the Proforma Consolidated financial Information and the Accountants' Report for the financial year ended 30 June 2013 as disclosed in the Prospectus of the Company dated 11 October 2013.

These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2013.

The Group has adopted merger method for the preparation of this interim financial statements. The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted as disclosed in the Accountants' Report in the Prospectus of the Company dated 11 October 2013. As at the date of authorisation of these interim financial statements, the Group has not adopted the following revised MFRSs, Interpretations and amendments which have been issued but not yet effective as stated below:-

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 10, Consolidated Financial Statements: Investment Entities
- Amendments to MFRS 12, Disclosure of Interests in Other Entities: Investment Entities
- Amendments to MFRS 127, Separate Financial Statements (2011): Investment Entities
- Amendments to MFRS 132, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136, Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139, Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21, Levies

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)
- Amendments to MFRS 2, Share-based Payment (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 3, Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013)
- Amendments to MFRS 8, Operating Segments (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 13, Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013)
- Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 119, Employee Benefits – Defined Benefit Plans: Employee Contributions
- Amendments to MFRS 124, Related Party Disclosures (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 138, Intangible Assets (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 140, Investment Properties (Annual Improvements 2011-2013 Cycle)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

A. EXPLANATION NOTES PURSUANT TO MALAYSIA FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING

A1. Accounting policies and methods of computation (continued)

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

MFRS 9, Financial Instruments (2009)

MFRS 9, Financial Instruments (2010)

MFRS 9, Financial Instruments - Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139

Amendments to MFRS 7, Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures

The Group plan to apply the abovementioned accounting standards, amendments and interpretations in the respective financial year when the above standards, amendments and interpretations become effective.

A2. Comments about seasonal or cyclical factors

The Group's performance is not affected by any material seasonal or cyclical factors.

A3. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial year-to-date.

A4. Changes in estimates

There were no changes in estimates that have had a material effect in the current quarter and financial year-to-date results.

A5. Debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the financial year-to-date except for those disclosed in Note B7.

A6. Dividends paid

No dividend was paid by the Company in the current quarter and financial year-to-date.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

A. EXPLANATION NOTES PURSUANT TO MALAYSIA FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING

A7. Segmental information

The Group's segmental report for the financial year-to-date was as follows:-

	← 12 MONTH ENDED 30.6.2014 →				
	Condoms	Catheters	Probe covers, lubricating jelly and others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Revenue</u>					
External revenue	205,327	6,419	8,181	-	219,927
Inter-segment revenue	-	-	-	-	-
Total revenue	205,327	6,419	8,181	-	219,927
<u>Results</u>					
Segment profit	40,305	868	3,422	-	44,595
Interest income					1,332
Finance cost					(1,561)
Unallocated amounts					(2,825)
Profit before tax					41,541
Tax expenses					(6,956)
Profit after tax					34,585
<u>Total Assets</u>					
Reportable segment assets	229,277	7,841	3,199	-	240,317
Unallocated assets					49,547
Total Assets					289,864

A8. Subsequent events

Other than those disclosed in B7, there were no material events subsequent to the end of the current financial quarter.

A9. Changes in composition of the Group

Upon completion of the Acquisitions as disclosed under Note B7 (A)(i) on the Status of corporate proposals, the group structure is as follows:

- Karex Industries Sdn Bhd, Innolatex (Thailand) Limited, Innolatex Sdn Bhd and Hevea Medical Sdn Bhd are wholly-owned subsidiaries of the Company.
- Uro Technology Sdn Bhd is a wholly-owned subsidiaries of the Karex Industries Sdn Bhd.

The Acquisitions were accounted for using the Merger Method whereby the difference between the acquisition costs and the nominal value of the share capital of the subsidiaries is taken to the merger reserve or deficit, where applicable. The Acquisitions have resulted in a merger reserve amounting to RM 63.51 million.

A10. Changes in contingent liabilities and contingent assets

There were no material changes in contingent liabilities or contingent assets since 30 June 2013.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS**B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES MALAYSIA BERHAD****B1. Performance review**

As the Acquisitions (as detailed in Note B7 (A)(i)) were completed on 23 September 2013, the Group did not consolidate the financial performance of these subsidiaries from 23 September 2013 to 30 September 2013 due to impracticability of an accounting cut-off date other than month end and the effect is not significant to the results for the financial year ended 30 June 2014. The Group has consolidated the results from 1 October 2013 onwards.

If the Group had existed since last financial year, management estimated the consolidated results would have been as follows:-

	3 MONTHS ENDED		12 MONTHS ENDED	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
	RM'000	RM'000	RM'000	RM'000
Revenue	63,136	62,969	285,332	231,389
Result from operating activities	13,750	11,723	55,230	38,494
Profit before tax	13,598	11,208	54,428	36,144
Profit after tax	<u>12,203</u>	<u>9,001</u>	<u>45,168</u>	<u>29,028</u>

For the fourth quarter (4QFY2014), revenue increased slightly by 0.3% to RM 63.1 million as compared to the corresponding quarter in the previous year. However, profit before tax increased by 21.3% to RM13.6 million from RM11.2 million registered in the previous year.

For the financial year ended 2014, revenue increased by 23.3% to RM285.3 million and profit before tax increased by 50.6% to RM54.4 million as compared to the previous year.

The higher revenue and profit before tax reported was attributed to higher volume of condom sales achieved as a result of the installation of additional manufacturing capacity for condom manufacturing.

B2. Variance of results for the current quarter ended 30 June 2014 against the immediate preceding quarter

	3 MONTHS ENDED	
	30.6.2014	31.3.2014
	RM'000	RM'000
Revenue	63,136	74,616
Result from operating activities	13,750	13,249
Profit before tax	13,598	13,460
Profit after tax	<u>12,203</u>	<u>11,543</u>

Revenue in 4QFY2014 was 15.4% or RM11.5 million lower as compared to the previous quarter. However, profit before tax for 4QFY2014 was marginally higher at RM13.6 million as compared to RM13.5 in the previous quarter.

The reduction in revenue in 4QFY2014 was due to higher commercial orders received. The orders have a wide range of specification resulting in longer lead time for production. However, profit after tax in 4QFY2014 increased by 5.7% or RM0.6 million compared to the previous quarter attributable to lower effective tax rate.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES MALAYSIA BERHAD

B3. a) Group's Prospects for the financial year ending 30 June 2015 ("FYE 2015")

The consumption of condom is expected to rise in tandem with population growth and the rising awareness of using condom for family planning as well as the prevention of HIV/AIDS. In this respect, the Group's prospects for the FYE 2015 are expected to be favourable as the Group continue to secure new orders on the back of rising demand.

b) Forecast or target previously announced

The disclosure requirements are not applicable for the current quarter and financial year-to-date.

B4. Statement of the Board of Directors' opinion on achievement of forecast or target

The disclosure requirements are not applicable for the current quarter and financial year-to-date.

B5. Profit forecast or profit guarantee

No profit forecast or profit guarantee was published.

B6. Tax expense

	3 MONTHS ENDED		12 MONTHS ENDED	
	30.6.2014 RM'000	30.6.2013 ⁽¹⁾ RM'000	30.6.2014 RM'000	30.6.2013 ⁽¹⁾ RM'000
Estimated tax payable:				
- Current provision	1,147	-	7,085	-
- Over provision for prior period	(5)	-	(147)	-
	1,142	-	6,938	-
Deferred taxation:				
- Current provision	250	-	15	-
- Under provision for prior period	3	-	3	-
	253	-	18	-
	1,395	-	6,956	-

Note:

(1) The comparative figures for the preceding quarter and preceding year were the Company's tax expense for the year ended 30 June 2013 before the completion of the Acquisitions (as detailed in Note B7 (A)(i)), Public Issue (as detailed in Note B7 (A)(ii)) and Bonus issue (as detailed in Note B7 (B)).

The Group effective tax rate is lower than statutory tax rate for the current quarter and year-to-date mainly due to utilisation of the tax incentives granted.

B7. Status of corporate proposals

(A) In conjunction with, and as an integral part of the Company's listing on Main Market of Bursa Securities, the following listing scheme was undertaken by the Company:

i) Acquisitions

The acquisitions of Karex Industries Sdn Bhd ("KISB"), Innolatex (Thailand) Limited ("ITL"), Innolatex Sdn Bhd ("ISB") and Hevea Medical Sdn Bhd ("HMSB") by the Company and Uro Technology Sdn Bhd ("UTSB") by KISB, for an aggregated consideration of approximately RM57.4 million were settled via the issuance of approximately 229.5 million shares of the Company to their respective shareholders on 23 September 2013. Details of the Acquisitions are as follows:

(a) The Company acquired the entire issued and paid-up share capital of KISB for a purchase consideration of RM35,474,998 satisfied via the issuance of 141,899,992 shares of the Company;

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES MALAYSIA BERHAD

B7. Status of corporate proposals (continued)

i) Acquisitions (continued)

- (b) The Company acquired the entire issued and paid-up share capital of ITL for a purchase consideration of RM12,500,000 satisfied via the issuance of 50,000,000 shares of the Company;
- (c) The Company acquired the entire issued and paid-up share capital of ISB for a purchase consideration of RM4,750,000 satisfied via the issuance of 19,000,000 shares of the Company;
- (d) The Company acquired the entire issued and paid-up share capital of HMSB for a purchase consideration of RM3,300,000 satisfied via the issuance of 13,200,000 shares of the Company; and
- (e) KISB acquired the remaining 40% equity interest in UTSB not already owned by KISB for a purchase consideration of RM1,350,000 satisfied via the issuance of 5,400,000 shares of the Company.

(the above transactions are collectively refer to as "Acquisitions")

The Acquisitions were completed on 23 September 2013.

Identifiable assets acquired and liabilities assumed:	RM'000
Property, plant and equipment	79,333
Deferred tax assets	706
Inventories	47,798
Trade and other receivables	58,676
Tax recoverable	131
Cash and cash equivalents	26,736
Loan and borrowings	(45,024)
Deferred tax liabilities	(5,034)
Trade and other payables	(40,141)
Provision for taxation	(2,295)
Net assets acquired	120,886
Merger reserve	(63,511)
Consideration paid by issuance of shares of the Company	57,375

Net cash arising from Acquisitions are as follows:

Cash and cash equivalents acquired	26,736
Less: Pledged deposit	(7,585)
	<u>19,151</u>

ii) Initial Public Offering

The IPO comprises the Institutional Offering and Retail Offering for a total of 67,500,000 Shares. These IPO Shares have been issued/offered based on the terms and conditions set out in the Prospectus of the Company dated 11 October 2013 and have been allocated and allotted in the following manner:

a) Institutional Offering

The institutional offering of 47,250,000 Shares representing 17.5% of our enlarged issued and paid-up share capital, comprising 27,000,000 Offer Shares and 20,250,000 Issue Shares to institutional and selected investors of Malaysia, Singapore and Hong Kong.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES MALAYSIA BERHAD

B7. Status of corporate proposals (continued)

ii) Initial Public Offering (continued)

b) Retail Offering

Retail Offering of 20,250,000 Issue Shares, representing 7.5% of our enlarged issued and paid-up share capital and allocated in the following manner:

- (i) 13,500,000 Issue Shares, representing 5.0% of the enlarged issued and paid-up share capital of our Company, were available for application by the Malaysian Public, of which 6,750,000 Issue Shares, representing 2.5% of the enlarged issued and paid-up share capital of our Company, were set aside for Bumiputera investors; and
- (ii) 6,750,000 Issue Shares, representing 2.5% of our enlarged issued and paid-up share capital, were made available for application by our eligible Directors, employees, business associates and persons who have contributed to the success of our Group.

c) Listing on Bursa Securities

The Company's entire enlarged issued and paid-up share capital of RM67,500,000 comprising 270,000,000 ordinary shares of RM0.25 each was listed on the Main Market of Bursa Malaysia Securities Berhad on 6 November 2013.

iii) Status of utilisation of proceeds

The gross proceeds raised from the Public Issue amounting to RM74.93 million. The status of the utilisation of the proceed raised from the Public Issue are as follows:

Purposes	Proposed	Actual	Deviations	Balance	Intended timeframe for utilisation
	utilisation	utilisation			
	RM'000	RM'000	RM'000	RM'000	
Research and Development	4,000	(1,209)	-	2,791	Within 36 months
Capital expenditure	41,750	(13,582)	-	28,168	Within 36 months
Working capital	13,675	(2,036)	(728) ⁽²⁾	10,911	Within 36 months
Repayment of bank borrowings	10,000	(10,000)	-	-	Within 6 months
Listing expenses	5,500	(6,228)	728 ⁽²⁾	-	Within 6 months
Total gross proceeds	74,925	(33,055)	-	41,870	

Note:

- (1) The proposed utilisation of proceeds as disclosed above should be read in connection with the Prospectus of the Company dated 11 October 2013.
- (2) Actual listing expenses incurred were more than the estimated listing expenses by approximately RM0.7 million mainly due to higher professional fee charges as well as other incidental costs incurred in connection to the listing exercise. In accordance to the Prospectus dated 11 October 2013, the excess of listing expenses shall be funded out of the portion allocated for working capital purposes.

(B) Bonus Issue

Proposed bonus issue of 135,000,000 new ordinary shares of RM0.25 each in the Company ("Shares") ("Bonus Shares") to be credited as fully paid up on the basis of 1 Bonus Share for every 2 Shares held by the Company's shareholders was completed on 31 March 2014.

(C) Memorandum of Understanding

On 8 August 2014, the Company entered into a Memorandum of Understanding ("MoU") with the shareholder of Global Protection Corp ("GP") for the purpose of pursuing the proposed acquisition of 55% of the issued and paid-up share capital in GP with the purchase consideration of USD 6.6 million. There has been no material update, and no subsequent agreement has been entered arising from the MoU.

Other than the aforementioned, there were no corporate proposals pending completion at the date of this report.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES MALAYSIA BERHAD

B8. Loans and borrowings

The Group's loans and borrowings as at end of the reporting year were as follows :

	Short-Term RM'000	Long-Term RM'000	Total RM'000
Secured	11,214	10,380	21,594

The Group's loans and borrowings were denominated in the following currencies:

	Foreign Currency '000	RM'000
- Ringgit Malaysia	N/A	7,208
- US Dollar	2,693	8,668
- Thai Baht	57,802	5,718
		<u>21,594</u>

B9. Changes in material litigation

There was no material litigation since 30 June 2013.

B10. Dividend proposed

No dividend was proposed in respect of the current financial year.

B11. Earnings per share ("EPS")

Basic EPS is calculated by dividing the profit/(loss) for the period attributable to owners of the Company by the weighted average number of ordinary shares of the Company during the financial period.

	<u>3 MONTHS ENDED</u>		<u>9 MONTHS ENDED</u>	
	30.6.2014	30.6.2013 ⁽¹⁾	30.6.2014	30.6.2013 ⁽¹⁾
Profit/(Loss) attributable to ordinary shareholders of the Company (RM'000)	<u>12,203</u>	<u>(158)</u>	<u>34,585</u>	<u>(632)</u>
Weighted average number of ordinary shares in issue ('000)	<u>405,000</u>	*	<u>237,748</u>	#
Basic EPS (sen)	<u>3.01</u>	<u>(1,975,000)</u>	<u>14.55</u>	<u>(9,028,571)</u>

Note:

(1) The comparative figures for the preceding quarter and preceding year were the Company level performance for the year ended 30 June 2013 before the completion of the Acquisitions (as detailed in Note B7 (A)(i)), Public Issue (as detailed in Note B7 (A)(ii)) and Bonus issue (as detailed in Note B7 (B)).

* Represents 8 weighted average ordinary share in issue

Represents 7 weighted average ordinary share in issue

The basic EPS and the diluted EPS are the same for the period as the Company has no dilutive potential ordinary shares as of the end of the reporting period.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES MALAYSIA BERHAD

B12. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements of the Company and its subsidiaries for the financial year ended 30 June 2013 were not qualified.

B13. Profit/(Loss) before tax

	3 MONTHS ENDED		12 MONTHS ENDED	
	30.6.2014	30.6.2013 ⁽¹⁾	30.6.2014	31.3.2013 ⁽¹⁾
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	364	-	1,332	-
(b) Other income including investment income	-	-	-	-
(c) Interest expense	(516)	-	(1,561)	-
(d) Depreciation and amortization	(1,480)	-	(6,431)	-
(e) Impairment loss on receivables	(749)	-	(720)	-
(f) Provision for and write off of inventories	(1,437)	-	(2,007)	-
(g) Gain on loss on disposal of quoted or unquoted investments or properties	-	-	-	-
(h) Impairment of assets	-	-	-	-
(i) Foreign exchange gain/(loss)	81	-	(737)	-
(j) Gain/(loss) on derivatives	(185)	-	(72)	-
(k) Rental expenses	(727)	-	(1,013)	-
(l) Exceptional items	-	-	-	-

Note:

(1) The comparative figures for the preceding quarter and preceding year were the Company level performance for the year ended 30 June 2013 before the completion of the Acquisitions (as detailed in Note B7 (A)(i)) and Public Issue (as detailed in Note B7 (A)(ii)) and Bonus issue (as detailed in Note B7 (B)).

KAREX BERHAD (1018579-U)
(Incorporated in Malaysia)

Interim financial report for the fourth quarter ended 30 June 2014
(The figures have not been audited)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES MALAYSIA BERHAD

B14. Realised and unrealised profit/(loss) disclosure

	AS AT 30.6.2014 RM'000	AS AT 30.6.2013 RM'000
Total retained earnings of the Company and subsidiary companies:		
- Realised	35,427	(632)
- Unrealised	(418)	-
	35,009	(632)
Consolidated adjustments	(1,774)	-
	<hr/>	<hr/>
Total retained earnings	33,235	(632)
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By order of the Board
22 August 2014