



KAREX BERHAD

(Incorporated in Malaysia)

(1018579-U)

Interim Financial Report for the First Quarter Ended 30 September 2014

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(Incorporated in Malaysia)

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS ⁽¹⁾

| | Note | 3 MONTHS ENDED | | PERIOD-TO-DATE ENDED | |
|---|------------|---------------------|------------------------------------|----------------------|------------------------------------|
| | | 30.9.2014 RM'000 | 30.9.2013 ⁽²⁾ RM'000 | 30.9.2014 RM'000 | 30.9.2013 ⁽²⁾ RM'000 |
| Revenue | | 70,133 | - | 70,133 | - |
| Cost of goods sold | | (49,093) | - | (49,093) | - |
| Gross profit | | 21,040 | - | 21,040 | - |
| Other income | | 806 | - | 806 | - |
| Distribution expenses | | (2,567) | - | (2,567) | - |
| Administrative expenses | | (3,134) | (457) | (3,134) | (457) |
| Other expenses | | - | - | - | - |
| Result from operating activities | | 16,145 | (457) | 16,145 | (457) |
| Interest income | | 495 | - | 495 | - |
| Finance costs | | (270) | - | (270) | - |
| Net finance income | | 225 | - | 225 | - |
| Profit/ (Loss) before tax | B13 | 16,370 | (457) | 16,370 | (457) |
| Tax expense | B6 | (3,538) | - | (3,538) | - |
| Profit/ (Loss) for the period | | 12,832 | (457) | 12,832 | (457) |
| Profit/ (Loss) for the period attributable to: | | | | | |
| - Owners of the Company | | 12,832 | (457) | 12,832 | (457) |
| Earnings/ (Losses) per share attributable to owners of the Company (sen): | | | | | |
| - Basic | B11 | 3.17 | (1.53) ⁽³⁾ | 3.17 | (1.53) ⁽³⁾ |
| - Diluted | B11 | 3.17 | (1.53) ⁽³⁾ | 3.17 | (1.53) ⁽³⁾ |

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the audited financial statements for the financial year ended 30 June 2014 and the accompanying explanatory notes as attached to this interim financial statements.
- (2) As the acquisitions of subsidiaries 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 estimate the consolidated results would be as disclosed in Note B1.
- (3) Restated to reflect the retrospective adjustments arising from the bonus issue completed in the financial year ended 30 June 2014 in accordance with "MFRS 133, Earnings per Share".

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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME ⁽¹⁾**

| | 3 MONTHS ENDED | | PERIOD-TO-DATE ENDED | | |
|---|----------------|---------------------|------------------------------------|---------------------|------------------------------------|
| | Note | 30.9.2014 RM'000 | 30.9.2013 ⁽²⁾ RM'000 | 30.9.2014 RM'000 | 30.9.2013 ⁽²⁾ RM'000 |
| Profit/ (Loss) for the period | | 12,832 | (457) | 12,832 | (457) |
| Other comprehensive profit, net of tax Items that may be reclassified subsequently to profit or loss | | | | | |
| Foreign currency translation differences for foreign operations | | 576 | - | 576 | - |
| Total comprehensive income/ (expense) for the period | | 13,408 | (457) | 13,408 | (457) |
| Total comprehensive income/ (expense) attributable to: | | | | | |
| - Owners of the Company/ Total comprehensive income/ (expense) for the period | | 13,408 | (457) | 13,408 | (457) |

Notes:

- (1) 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 30 June 2014 and the accompanying explanatory notes as attached to this interim financial statements.
- (2) As the acquisitions of subsidiaries 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 estimate the consolidated results would be as disclosed in Note B1.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION ⁽¹⁾

| | <u>Note</u> | AS AT 30.9.2014 RM'000 | AS AT 30.6.2014 RM'000 |
|---|-------------|------------------------------|------------------------------|
| Assets | | | |
| Property, plant and equipment | | 93,421 | 86,173 |
| Deferred tax assets | | 15 | 142 |
| Total non-current assets | | 93,436 | 86,315 |
| Inventories | | 40,639 | 40,470 |
| Trade and other receivables | | 83,041 | 77,487 |
| Cash and cash equivalents | | 88,065 | 85,592 |
| Total current assets | | 211,745 | 203,549 |
| Total assets | | 305,181 | 289,864 |
| Equity | | | |
| Capital and Reserves | | | |
| Share capital | | 101,250 | 101,250 |
| Reserves | | 135,490 | 122,082 |
| Total equity attributable to owners of the Company/ Total equity | | 236,740 | 223,332 |
| Liabilities | | | |
| Loan and borrowings (secured) | B8 | 9,578 | 10,380 |
| Deferred tax liabilities | | 4,525 | 4,488 |
| Total non-current liabilities | | 14,103 | 14,868 |
| Trade and other payables | | 39,914 | 38,887 |
| Loan and borrowings (secured) | B8 | 12,626 | 11,214 |
| Taxation | | 1,798 | 1,563 |
| Total current liabilities | | 54,338 | 51,664 |
| Total liabilities | | 68,441 | 66,532 |
| Total equity and liabilities | | 305,181 | 289,864 |
| Net assets per share attributable to owners of the Company (RM) | | 0.58 | 0.55 |

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2014 and the accompanying explanatory notes as attached to this interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ⁽¹⁾

| | ← Attributable to owners of the Company → | | | | | | Total equity RM'000 |
|--|---|-------------------------|--------------------------|-------------------------------|-------------------------|-----------------------------|------------------------|
| | ← Non-distributable → | | | | | Distributable | |
| | Share capital RM'000 | Share premium RM'000 | Merger reserve RM'000 | Translation reserve RM'000 | Other reserve RM'000 | Retained Earnings RM'000 | |
| 30 September 2014 | | | | | | | |
| At 1 July 2014 | 101,250 | 25,540 | 63,511 | (922) | 718 | 33,235 | 223,332 |
| Foreign currency translation differences for foreign operations/ Total other comprehensive income for the period | - | - | - | 576 | - | - | 576 |
| Profit for the period | - | - | - | - | - | 12,832 | 12,832 |
| Total comprehensive income for the period | - | - | - | 576 | - | 12,832 | 13,408 |
| At 30 September 2014 | 101,250 | 25,540 | 63,511 | (346) | 718 | 46,067 | 236,740 |

| | ← Attributable to owners of the Company → | | | | | | Total equity RM'000 |
|--|---|-------------------------|--------------------------|-------------------------------|-------------------------|--------------------|------------------------|
| | ← Non-distributable → | | | | | Accumulated losses | |
| | Share capital RM'000 | Share premium RM'000 | Merger reserve RM'000 | Translation reserve RM'000 | Other reserve RM'000 | RM'000 | |
| 30 September 2013 | | | | | | | |
| At 1 July 2013 | - | - | - | - | - | (632) | (632) |
| Effect arising from Acquisitions | 57,375 | - | 63,511 | - | - | - | 120,886 |
| Loss for the period/ Comprehensive expense for the period | - | - | - | - | - | (457) | (457) |
| At 30 September 2013 | 57,375 | - | 63,511 | - | - | (1,089) | 119,797 |

Notes:

(1) The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 30 June 2014 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⁾

| | PERIOD-TO-DATE ENDED | |
|---|----------------------|---------------------|
| | 30.9.2014 RM'000 | 30.9.2013 RM'000 |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | |
| Profit/ (loss) before tax | 16,370 | (457) |
| Adjustment for: | | |
| Non-cash items | 1,294 | - |
| Operating profit/ (loss) before changes in working capital | 17,664 | (457) |
| Net changes in current assets | (4,931) | 193 |
| Net changes in current liabilities | 1,027 | 264 |
| Cash generated from operations | 13,760 | - |
| Tax paid | (3,139) | - |
| Net cash from operating activities | 10,621 | - |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | |
| Acquisition of property, plant and equipment | (9,122) | - |
| Acquisition of subsidiaries, net cash and cash equivalents acquired | - | 19,151 |
| Interest received | 495 | - |
| Net cash (used in) / from investing activities | (8,627) | 19,151 |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | |
| Net repayment of borrowings and interest paid | (283) | - |
| Increased placement in fixed deposits pledged to licensed banks | (215) | - |
| Net cash used in financing activities | (498) | - |
| Net changes in cash and cash equivalents | 1,496 | 19,151 |
| Effect of exchange rate fluctuations on cash held | 139 | - |
| Cash and cash equivalents at beginning of the period | 77,180 | - |
| Cash and cash equivalents at end of the period | 78,815 | 19,151 |

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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:

| | PERIOD-TO-DATE ENDED | |
|--------------------------------|----------------------|---------------|
| | 30.9.2014 | 30.9.2013 |
| | RM'000 | RM'000 |
| Cash and bank balances | 33,901 | 18,678 |
| Deposits with licensed banks | 10,116 | 8,589 |
| Deposit with other corporation | 44,048 | - |
| | 88,065 | 27,267 |
| Less: Bank overdraft | (623) | (530) |
| | 87,442 | 26,737 |
| Less: Fixed deposit pledged | (8,627) | (7,586) |
| | 78,815 | 19,151 |

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 30 June 2014 and the accompanying explanatory notes as attached to this interim financial statements.
- (2) 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") and paragraph 9.22 (Appendix 9B Part 9A) of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2014 and the accompanying explanatory notes as attached to this interim financial statements.

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 2014.

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 audited financial statements for the financial year ended 30 June 2014. 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 2016

MFRS 14, Regulatory Deferred Accounts

Amendments to MFRS 116 and MFRS 138, Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 11, Accounting for Acquisitions of Interests in Joint Operations

Amendments to MFRS 116 and MFRS 141, Agriculture: Bearer Plants

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

MFRS 15, Revenue from Contract with Customers

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

MFRS 9, Financial Instruments (2014)

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.

The initial application of these standards, amendments and interpretations are not expected to have any material financial impacts to the current and prior periods financial statements of the Group upon their first adoption except as mentioned below:

MFRS 15, Revenue from Contracts with Customers

The adoption of MFRS 15 may result in a change in the accounting for revenue by the Group. The Group is currently assessing the impact of adoption MFRS 15.

MFRS 9, Financial Instruments

The adoption of MFRS 9 may result in a change in the accounting policy. The Group is currently assessing the impact of adoption MFRS 9.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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

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 period-to-date.

A4. Changes in estimates

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

A6. Dividends paid

There was no dividend paid during the quarter and financial period-to-date.

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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 period-to-date was as follows:-

| | ← 3 MONTHS ENDED 30.9.2014 → | | | | |
|---------------------------|------------------------------|--------------|---|--------------|----------------|
| | 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 | 65,664 | 2,994 | 1,475 | - | 70,133 |
| Inter-segment revenue | - | - | - | - | - |
| Total revenue | <u>65,664</u> | <u>2,994</u> | <u>1,475</u> | <u>-</u> | <u>70,133</u> |
| <u>Results</u> | | | | | |
| Segment profit | 15,866 | (60) | 784 | - | 16,590 |
| Interest income | | | | | 495 |
| Finance cost | | | | | (270) |
| Unallocated amounts | | | | | (445) |
| Profit before tax | | | | | 16,370 |
| Tax expenses | | | | | (3,538) |
| Profit after tax | | | | | <u>12,832</u> |
| <u>Total Assets</u> | | | | | |
| Reportable segment assets | 246,678 | 7,830 | 3,787 | - | 258,295 |
| Unallocated assets | | | | | 46,886 |
| Total Assets | | | | | <u>305,181</u> |

As the acquisitions of the subsidiaries were completed on 23 September 2013, the Group did not consolidate the financial performance of these subsidiaries nor present segmental information of the preceding financial period-to-date due to impracticability of an accounting cut-off date other than month end and the effect is not significant to the results of the financial year ended 30 June 2014. The Group has consolidated the results from 1 October 2013 onwards.

A8. Subsequent events

On 8 August 2014, the Group entered into a Memorandum of Understanding ("MOU") with the shareholder of Global Protection Corp ("GP") for the acquisition of 55% of the issued and paid-up share capital in GP with the purchase consideration of USD 6.6 million. The acquisition has been completed on 3 October 2014.

There were no material events subsequent to the end of the current quarter other than the below.

A9. Changes in composition of the Group

On 26 September 2014, the Group has acquired ten (10) shares, representing the entire issued and paid-up share capital of Karex Global Limited ("KGL"), for a total cash consideration of HKD 10.00. With the acquisition, KGL has become a wholly-owned subsidiary of the Group.

There are no other changes in the composition of the Group for the current quarter and financial period-to-date.

A10. Changes in contingent liabilities and contingent assets

There were no material changes in contingent liabilities or contingent assets since 30 June 2014.

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 of subsidiaries 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 estimate the consolidated results would be as follows:-

| | <u>3 MONTHS ENDED</u> | | <u>PERIOD-TO-DATE ENDED</u> | |
|----------------------------------|-----------------------|------------------|-----------------------------|------------------|
| | <u>30.9.2014</u> | <u>30.9.2013</u> | <u>30.9.2014</u> | <u>30.9.2013</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 70,133 | 65,405 | 70,133 | 65,405 |
| Result from operating activities | 16,145 | 13,003 | 16,145 | 13,003 |
| Profit before tax | 16,370 | 12,430 | 16,370 | 12,430 |
| Profit after tax | <u>12,832</u> | <u>10,126</u> | <u>12,832</u> | <u>10,126</u> |

For the first quarter ended 30 September 2014 (1QFY2015), revenue increased by 7.2% to RM 70.1 million as compared to the corresponding quarter in the previous year. However, profit before tax increased by 31.7% to RM16.4 million from RM12.4 million registered in 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, sales of higher profit margin products, favourable currency exchange rates and raw material prices.

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

| | <u>3 MONTHS ENDED</u> | |
|----------------------------------|-----------------------|------------------|
| | <u>30.9.2014</u> | <u>30.6.2014</u> |
| | RM'000 | RM'000 |
| Revenue | 70,133 | 63,136 |
| Result from operating activities | 16,145 | 13,750 |
| Profit before tax | 16,370 | 13,598 |
| Profit after tax | <u>12,832</u> | <u>12,203</u> |

Revenue in 1QFY2015 was 11.1% or RM70.1 million higher as compared to the previous quarter. In tandem with the increase in revenue, profit before tax increased by 20.4% or RM2.7 million as compared to the previous quarter.

The increase in revenue for 1QFY2015 was mainly driven by higher volume of condom sales achieved whereas the increase in profit before tax for 1QFY2015 was attributed to sales of higher margin products, favourable currency exchange rates and raw material prices. Accordingly, profit after tax in 1QFY2015 was also higher by 5.2% or RM0.60 million as compared to the previous quarter.

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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")**

Condom shortages remain a key issue worldwide while at the same time, the consumption of condom is expected to rise in tandem with population growth and the rising awareness of the importance of condom. In this respect, the Group foresee good prospect for FYE 2015 as the Group continue to secure new orders on the back of rising demand. With the completion of the acquisition of Global Protection on 3 October 2014, the Group further foresee additional positive contributions to the Group from 2Q FYE 2015 onwards.

b) Forecast or target previously announced

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

B5. Profit forecast or profit guarantee

No profit forecast or profit guarantee was published.

B6. Tax expense

| | <u>3 MONTHS ENDED</u> | | <u>PERIOD-TO-DATE ENDED</u> | |
|------------------------|-----------------------|------------------|-----------------------------|------------------|
| | <u>30.9.2014</u> | <u>30.9.2013</u> | <u>30.9.2014</u> | <u>30.9.2013</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Estimated tax payable: | | | | |
| - Current provision | (3,665) | - | (3,665) | - |
| Deferred taxation: | | | | |
| - Current provision | 127 | - | 127 | - |
| | <u>(3,538)</u> | <u>-</u> | <u>(3,538)</u> | <u>-</u> |

The Group effective tax rate is lower than statutory tax rate mainly due to profit generated by foreign subsidiary with lower tax rate for the current quarter and financial period-to-date

No provision for estimated tax payable for the corresponding quarter in the previous year as the Group incurred an operating loss on a consolidation basis.

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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**

(A) There were no corporate proposals pending completion at the date of this report.

(B) Status of utilisation of proceeds

The Initial Public Offering ("IPO") involved 67.5 million ordinary shares which comprises of 40.5 million ordinary shares and an offer for sale of 27.0 million existing shares at an issue price of RM1.85. The gross proceeds raised from the IPO amounting to RM74.93 million and the status of the utilisation of the proceed are as follows:

| Purposes | Proposed utilisation RM'000 | Actual utilisation RM'000 | Deviations RM'000 | Balance RM'000 | Intended timeframe for utilisation |
|-----------------------------|--------------------------------|------------------------------|----------------------|-------------------|------------------------------------|
| Research and Development | 4,000 | (1,209) | - | 2,791 | Within 36 months |
| Capital expenditure | 41,750 | (16,448) | - | 25,302 | Within 36 months |
| Working capital | 13,675 | (3,192) | (728) ⁽²⁾ | 9,755 | Within 36 months |
| Repayment of bank borrowing | 10,000 | (10,000) | - | - | Within 6 months |
| Listing expenses | 5,500 | (6,228) | 728 ⁽²⁾ | - | Within 6 months |
| Total gross proceeds | <u>74,925</u> | <u>(37,077)</u> | <u>-</u> | <u>37,848</u> | |

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.

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 | 12,626 | 9,578 | 22,204 |

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

| | Foreign Currency | RM'000 |
|--------------------|---------------------|---------------|
| - Ringgit Malaysia | N/A | 11,397 |
| - US Dollar | 1,766 | 5,778 |
| - Thai Baht | 49,759 | 5,029 |
| | | <u>22,204</u> |

B9. Changes in material litigation

There was no material litigation since 30 June 2014.

B10. Dividend proposed

No dividend was proposed in respect of the current financial period

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS**B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES MALAYSIA BERHAD****B11. Earnings/ (Loss) 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.

| | 3 MONTHS ENDED | | PERIOD-TO-DATE ENDED | |
|---|----------------|-----------|----------------------|-----------|
| | 30.9.2014 | 30.9.2013 | 30.9.2014 | 30.9.2013 |
| Profit/(Loss) attributable to ordinary shareholders of the Company (RM'000) | 12,832 | (457) | 12,832 | (457) |
| Weighted average number of ordinary shares in issue ('000) | 405,000 | 29,935 | 405,000 | 29,935 |
| Basic EPS (sen) | 3.17 | (1.53) | 3.17 | (1.53) |

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.

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 2014 were not qualified.

B13. Profit/(Loss) before tax

| | 3 MONTHS ENDED | | PERIOD-TO-DATE ENDED | |
|--|----------------|-----------|----------------------|-----------|
| | 30.9.2014 | 30.9.2013 | 30.9.2014 | 30.9.2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| (a) Interest income | 495 | - | 495 | - |
| (b) Other income including investment income | - | - | - | - |
| (c) Interest expense | (270) | - | (270) | - |
| (d) Depreciation and amortization | (1,874) | - | (1,874) | - |
| (e) Impairment loss on receivables | - | - | - | - |
| (f) Provision for and write off of inventories | - | - | - | - |
| (g) Gain on loss on disposal of quoted or unquoted investments or properties | - | - | - | - |
| (h) Impairment of assets | - | - | - | - |
| (i) Foreign exchange gain/(loss) | 699 | - | 699 | - |
| (j) Gain/(loss) on derivatives | 5 | - | 5 | - |
| (k) Rental expenses | (327) | - | (327) | - |
| (l) Exceptional items | - | - | - | - |

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

Interim financial report for the first quarter ended 30 September 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/(losses) disclosure

| | AS AT 30.9.2014 RM'000 | AS AT 30.6.2014 RM'000 |
|--|------------------------------|------------------------------|
| Total retained earnings of the Company and subsidiary companies: | | |
| - Realised | 47,893 | 35,427 |
| - Unrealised | (75) | (418) |
| | 47,818 | 35,009 |
| Consolidated adjustments | (1,751) | (1,774) |
| Total retained earnings | 46,067 | 33,235 |

By order of the Board
27 November 2014