



KAREX BERHAD

(Incorporated in Malaysia)

(1018579-U)

Interim Financial Report for the Third Quarter Ended 31 March 2016

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

Interim financial report for the third quarter ended 31 March 2016
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS ⁽¹⁾

	Note	3 MONTHS ENDED		PERIOD-TO-DATE	
		31.3.2016 RM'000	31.3.2015 RM'000	31.3.2016 RM'000	31.3.2015 RM'000
Revenue		88,223	71,395	260,895	218,526
Cost of goods sold		(58,463)	(47,245)	(167,611)	(148,096)
Gross profit		29,760	24,150	93,284	70,430
Other income		288	3,777	9,079	8,481
Distribution expenses		(4,545)	(3,807)	(14,465)	(9,819)
Administrative expenses		(9,885)	(7,202)	(25,739)	(16,616)
Other expenses		(4,796)	(243)	-	(251)
Result from operating activities		10,822	16,675	62,159	52,225
Interest income		1,208	983	4,160	1,891
Finance costs		(339)	(356)	(1,028)	(1,036)
Net finance income		869	627	3,132	855
Profit before tax	B13	11,691	17,302	65,291	53,080
Tax expense	B6	(1,628)	(2,053)	(10,911)	(10,308)
Profit for the period		10,063	15,249	54,380	42,772
Profit for the period attributable to:					
Owners of the Company		9,631	15,209	54,568	42,588
Non-controlling interests		432	40	(188)	184
Profit for the period		10,063	15,249	54,380	42,772
Earnings per share attributable to owners of the Company (sen): ⁽²⁾					
- Basic	B11	0.96	1.63	5.44	4.64
- Diluted	B11	0.96	1.63	5.44	4.64

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 2015 and the accompanying explanatory notes as attached to this interim financial statements.
- (2) The earnings per share for the corresponding quarter and period-to-date were restated to reflect the retrospective adjustments arising from the bonus issue completed on 20 April 2016, 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		
	<u>Note</u>	31.3.2016 RM'000	31.3.2015 RM'000	31.3.2016 RM'000	31.3.2015 RM'000
Profit for the period		10,063	15,249	54,380	42,772
Other comprehensive (losses)/profit, net of tax Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(9,038)	1,108	(4,141)	1,798
Total comprehensive income for the period		1,025	16,357	50,239	44,570
Total comprehensive income attributable to:					
Owners of the Company		653	16,273	50,375	44,273
Non-controlling interests		372	84	(136)	297
Total comprehensive income for the period		1,025	16,357	50,239	44,570

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 2015 and the accompanying explanatory notes as attached to this interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION⁽¹⁾

	<u>Note</u>	AS AT 31.3.2016 RM'000	AS AT 30.6.2015 RM'000
Assets			
Property, plant and equipment		166,082	129,295
Intangible assets		31,702	25,067
Deferred tax assets		125	126
Total non-current assets		197,909	154,488
Inventories		65,732	51,031
Trade and other receivables		105,875	85,136
Tax recoverable		1,183	-
Cash and cash equivalents		163,555	207,718
Total current assets		336,345	343,885
Total assets		534,254	498,373
Equity			
Share capital		167,063	167,063
Reserves		298,203	264,534
Total equity attributable to owners of the Company		465,266	431,597
Non-controlling interest		657	793
Total equity		465,923	432,390
Liabilities			
Loan and borrowings (secured)	B8	13,416	9,391
Deferred tax liabilities		6,572	5,351
Total non-current liabilities		19,988	14,742
Trade and other payables		34,170	35,889
Loan and borrowings (secured)	B8	9,622	13,491
Taxation		4,551	1,861
Total current liabilities		48,343	51,241
Total liabilities		68,331	65,983
Total equity and liabilities		534,254	498,373
Net assets per share attributable to owners of the Company (RM)		0.70	0.65

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 2015 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 →						Non-controlling interests	Total equity	
	← Non-distributable →			→ Distributable					
	Share capital	Share premium	Merger reserve	Translation reserve	Other reserve	Retained earnings			Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
31 March 2016									
At 1 July 2015	167,063	114,917	63,511	2,725	718	82,663	431,597	793	432,390
Contributions by and distributions to owners of the Company									
Dividend to owners of the Company/ Total transactions with owners of the Company	-	-	-	-	-	(16,706)	(16,706)	-	(16,706)
Foreign currency translation differences for foreign operations/ Total other comprehensive income for the period	-	-	-	(4,193)	-	-	(4,193)	52	(4,141)
Profit for the period	-	-	-	-	-	54,568	54,568	(188)	54,380
Total comprehensive income for the period	-	-	-	(4,193)	-	54,568	50,375	(136)	50,239
At 31 March 2016	167,063	114,917	63,511	(1,468)	718	120,525	465,266	657	465,923

	← Attributable to owners of the Company →						Non-controlling interests	Total equity	
	← Non-distributable →			→ Distributable					
	Share capital	Share premium	Merger reserve	Translation reserve	Other reserve	Retained earnings			Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
31 March 2015									
At 1 July 2014	101,250	25,540	63,511	(922)	718	33,235	223,332	-	223,332
Contributions by and distributions to owners of the Company									
Private placement of shares	10,125	147,825	-	-	-	-	157,950	-	157,950
Share issue expenses	-	(2,751)	-	-	-	-	(2,751)	-	(2,751)
Dividend to owners of the Company	-	-	-	-	-	(10,125)	(10,125)	-	(10,125)
Total transactions with owners of the Company	10,125	145,074	-	-	-	(10,125)	145,074	-	145,074
Foreign currency translation differences for foreign operations/ Total other comprehensive income for the period	-	-	-	1,685	-	-	1,685	113	1,798
Profit for the period	-	-	-	-	-	42,588	42,588	184	42,772
Total comprehensive income for the period	-	-	-	1,685	-	42,588	44,273	297	44,570
At 31 March 2015	111,375	170,614	63,511	763	718	65,698	412,679	297	412,976

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 2015 and the accompanying explanatory notes as attached to this interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS ⁽¹⁾

	Notes	PERIOD-TO-DATE	
		31.3.2016 RM'000	31.3.2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		65,291	53,080
Adjustment for:			
Non-cash items		(310)	(1,057)
Operating profit before changes in working capital		64,981	52,023
Net changes in current assets		(32,545)	(15,670)
Net changes in current liabilities		(4,542)	(5,116)
Cash generated from operations		27,894	31,237
Tax paid		(9,844)	(8,792)
Net cash from operating activities		18,050	22,445
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of:			
- Property, plant and equipment		(27,606)	(27,073)
- Subsidiaries, net cash and cash equivalents, acquired	B7(A)(i)	(13,000)	(20,870)
- Intangible asset		(5,579)	-
Proceed from disposal of property, plant and equipment		37	67
Interest received		4,160	1,891
Net cash used in investing activities		(41,988)	(45,985)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceed from private issue of shares		-	157,950
Payment for share issue expenses		-	(2,751)
Dividend paid to owners of the Company		(16,706)	(10,125)
Net (repayment)/drawdown of borrowings and interest paid		(2,979)	11,809
(Increase)/ Decrease placement in fixed deposits pledged to licensed banks		(672)	8,170
Net cash (used in) / from financing activities		(20,357)	165,053
Net changes in cash and cash equivalents		(44,295)	141,513
Effect of exchange rate fluctuations on cash held		(540)	531
Cash and cash equivalents at beginning of the period		207,481	77,180
Cash and cash equivalents at end of the period		162,646	219,224

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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	
	31.3.2016	31.3.2015
	RM'000	RM'000
Cash and bank balances	39,504	44,607
Deposits with licensed banks	909	4,191
Deposit with other corporation	123,142	170,668
	163,555	219,466
Less: Fixed deposit pledged	(909)	(242)
	162,646	219,224

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 2015 and the accompanying explanatory notes as attached to this interim financial statements.

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 2015 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 2015.

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 2015. 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 5, Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)

Amendments to MFRS 7, Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)

Amendments to MFRS 10, Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception

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

Amendments to MFRS 101, Presentation of Financial Statements – Disclosure Initiative

Amendments to MFRS 116, Property, Plant and Equipment and MFRS 138, Intangible Assets

– Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 116, Property, Plant and Equipment and MFRS 141, Agriculture

– Agriculture: Bearer Plants

Amendments to MFRS 119, Employee Benefits (Annual Improvements 2012-2014 Cycle)

Amendments to MFRS 127, Separate Financial Statements – Equity Method in Separate Financial Statements

Amendments to MFRS 134, Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)

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

MFRS 15, Revenue from Contract with Customers

MFRS 9, Financial Instruments (2014)

Amendments to MFRS 107, Statement of Cash Flows – Disclosure Initiative

Amendments to MFRS 112, Recognition of Deferred Tax Assets for Unrealised Losses

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

Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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.

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)

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

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue - Barter Transactions Involving Advertising Services.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

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

Since the end of the previous financial year, the Company paid a final single tier dividend of 2.5 sen per ordinary share totalling RM 16,706,250 in respect of the financial year ended 30 June 2015 on 18 December 2015.

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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:-

	Condoms RM'000	Catheters RM'000	Probe covers, lubricating jelly and others RM'000	Eliminations RM'000	Total RM'000
<u>9 months ended 31.3.2016</u>					
<u>Revenue</u>					
External revenue	241,203	11,343	8,349	-	260,895
Inter-segment revenue	-	-	-	-	-
Total revenue	<u>241,203</u>	<u>11,343</u>	<u>8,349</u>	<u>-</u>	<u>260,895</u>
<u>Results</u>					
Segment profit	53,236	2,846	3,942	-	60,024
Interest income					4,160
Finance cost					(1,028)
Unallocated amounts					2,135
Profit before tax					<u>65,291</u>
Tax expenses					(10,911)
Profit after tax					<u>54,380</u>
<u>Total Assets</u>					
Reportable segment assets	381,774	9,677	8,780	-	400,231
Unallocated assets					134,023
Total Assets					<u>534,254</u>
<u>9 months ended 31.3.2015</u>					
<u>Revenue</u>					
External revenue	201,514	9,721	7,291	-	218,526
Inter-segment revenue	-	-	-	-	-
Total revenue	<u>201,514</u>	<u>9,721</u>	<u>7,291</u>	<u>-</u>	<u>218,526</u>
<u>Results</u>					
Segment profit	48,535	1,780	3,628	-	53,943
Interest income					1,891
Finance cost					(1,036)
Unallocated amounts					(1,718)
Profit before tax					<u>53,080</u>
Tax expenses					(10,308)
Profit after tax					<u>42,772</u>
<u>Total Assets</u>					
Reportable segment assets	305,687	9,394	5,078	-	320,159
Unallocated assets					177,182
Total Assets					<u>497,341</u>

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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

A8. Subsequent events

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

A9. Changes in composition of the Group

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

- a) On 13 October 2015, the Group has acquired 100% of the issued and paid-up share capital in Medical-Latex (DUA) Sdn Bhd for a cash consideration of RM13.0 million from Beiersdorf Aktiengesellschaft.
- b) On 21 October 2015, the Group has incorporated Karex Marketing Sdn Bhd ("KMSB") with the paid up share capital of RM100.00 representing 100 shares of RM1.00 each. The intended principal activity of KMSB is to serve as a vehicle to facilitate marketing activities for Karex Group.
- c) On 11 January 2016, the Group has incorporated Karex Holdings Sdn Bhd ("KHSB") with the paid up share capital of RM100.00 representing 100 shares of RM1.00 each. The intended principal activity of KHSB is to serve as a vehicle to hold the Group's properties including intellectual properties.
- d) On 15 January 2016, the Group has acquired the entire share capital of Project Trillion Sdn Bhd ("PTSB") for a total cash consideration of RM2.00. The intended principal activity of PTSB is to serve as a vehicle to hold the Group's properties including intellectual properties. On 16 February 2016, the Company has changed its name from Project Trillian Sdn Bhd to Karex International Sdn Bhd.

A10. Changes in contingent liabilities and contingent assets

There were no material changes in contingent liabilities or contingent assets as at date of this report.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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

B1. Performance review

	3 MONTHS ENDED		PERIOD-TO-DATE	
	31.3.2016 RM'000	31.3.2015 RM'000	31.3.2016 RM'000	31.3.2015 RM'000
Revenue	88,223	71,395	260,895	218,526
Result from operating activities	10,822	16,675	62,159	52,225
Profit before tax	11,691	17,302	65,291	53,080
Profit after tax	10,063	15,249	54,380	42,772

For the third quarter ended 31 March 2016 (3QFY2016), revenue was higher by 23.6% or RM16.8 million as compared to the corresponding quarter in the previous year due to higher volume from condom commercial sales segment. However, result from operating activities was lower by 35.1% or RM5.9 million as compared to the corresponding quarter in the previous year attributable to foreign currency exchange losses of RM4.8 million as compared to foreign currency exchange gain of RM3.5 million in the previous year. Profit before tax decreased by 32.4% to RM11.7 million, while profit after tax also decreased by 34.0% to RM10.1 million as compared to the corresponding quarter in the previous year.

For the nine months period under review (9MF2016), revenue increased by 19.4% to RM260.9 million while profit before tax increased by 23.0% to RM65.3 million as compared to the previous year.

B2. Variance of results for the current quarter ended 31 March 2016 against the immediate preceding quarter

	3 MONTHS ENDED	
	31.3.2016 RM'000	31.12.2015 RM'000
Revenue	88,223	96,579
Result from operating activities	10,822	25,943
Profit before tax	11,691	26,974
Profit after tax	10,063	22,213

Revenue in 3QFY2016 was 8.7% or RM8.4 million lower mainly due to lower tender sales as compared to the previous quarter. However, profit after tax was lower by 54.7% or RM12.2 million as compared to the previous quarter as a result of lower sales, lower profit margin and foreign exchange losses in current quarter.

In previous quarter, there was one off gain from a bargain purchase of RM 4.7million.

B3. a) Group's Prospects for the financial year ending 30 June 2016 ("FYE 2016")

The Group is optimistic of the prospect for FYE2016 due to continuous strong demand of our products.

b) Forecast or target previously announced

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

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

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

	3 MONTHS ENDED		PERIOD-TO-DATE	
	31.3.2016 RM'000	31.3.2015 RM'000	31.3.2016 RM'000	31.3.2015 RM'000
Estimated tax payable:				
- Current provision	2,450	2,716	11,172	11,014
- Under / (Over) provision for prior year/period	179	(668)	179	(668)
	2,629	2,048	11,351	10,346
Deferred taxation:				
- Current provision	(911)	51	(350)	8
- Over provision for prior year/period	(90)	(46)	(90)	(46)
	(1,001)	5	(440)	(38)
	1,628	2,053	10,911	10,308

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

B7. Status of corporate proposals

(A) Corporate proposals

i) Acquisition

On 13 October 2015, the Group has acquired 100% of the issued and paid-up share capital in Medical-Latex (DUA) Sdn Bhd for a cash consideration of RM13.0 million from Beiersdorf Aktiengesellschaft.

	RM'000
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	14,854 ⁽¹⁾
Inventories	4,240
Trade and other receivables	4,911
Trade and other payables	(4,128)
Borrowings	(531)
Deferred tax liabilities	(1,662) ⁽¹⁾
Net assets acquired	17,684
Gain from a bargain purchase	(4,684)
Consideration paid by the Group	13,000

Net cash arising from Acquisitions are as follows:-

Consideration paid by the Group	13,000
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⁽¹⁾ In accordance with MFRS 3, Business Combination, a fair value adjustment for land and building amounting RM 6.5 million and deferred tax liabilities of RM1.6 million were recognised upon Acquisition. The Group has recognised a bargain purchase gain of RM 4.7 million to Consolidated Statement of Profit or Loss.

ii) Bonus Issue

Proposed bonus issue of 334,125,000 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 20 April 2016.

There were no other corporate proposals pending completion at the date of this report.

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

B7. Status of corporate proposals (continued)

(B) Status of utilisation of proceeds

i) Initial Public Offering

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	(4,000)	-	-	Within 36 months
Capital expenditure	41,750	(24,230)	-	17,520	Within 36 months
Working capital	13,675	(9,274)	(728) ⁽²⁾	3,673	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	74,925	(53,732)	-	21,193	

Note:

(1) The proposed utilisation of proceeds as disclosed above should be read in conjunction 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.

ii) Private Placement

The Private Placement ("PP") involved 40.5 million ordinary shares at an issue price of RM3.90. The gross proceeds raised from the Private Placement amounting to RM158.0 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
Development and business expansion	110,000	(41,594)	-	68,406	Within 24 months
Working capital	44,450	(27,548)	740 ⁽²⁾	17,642	Within 24 months
Listing expenses	3,500	(2,760)	(740) ⁽²⁾	-	Upon completion of PP
Total gross proceeds	157,950	(71,902)	-	86,048	

Note:

(1) The proposed utilisation of proceeds as disclosed above should be read in conjunction with the announcement by CIMB on 26 February 2015.

(2) Actual listing expenses incurred were less than the estimated listing expenses by approximately RM0.7 million mainly due to lower professional fee charges as well as other incidental costs incurred in connection to the private placement. In accordance to the Proposal announced on 26 February 2015, the excess are allocated for working capital purposes.

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(The figures have not been audited)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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

B8. Loans and borrowings

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

	Short-Term	Long-Term	Total
	RM'000	RM'000	RM'000
Secured	9,622	13,416	23,038

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

	Foreign Currency	'000	RM'000
- Ringgit Malaysia	N/A	7,625	7,625
- US Dollar	650	2,536	2,536
- Thai Baht	115,672	12,877	12,877
		23,038	23,038

B9. Changes in material litigation

There was no material litigation as at the date of this report.

B10. Dividend proposed

No dividend was proposed in respect of the current financial period

B11. Earnings per share ("EPS")

Basic EPS is calculated by dividing the profit 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	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
Profit attributable to ordinary shareholders of the Company (RM'000)	9,631	15,209	54,568	42,588
Weighted average number of ordinary shares in issue ('000)	1,002,375	931,500	1,002,375	917,901
Basic EPS (sen) ⁽¹⁾	0.96	1.63	5.44	4.64

Note:

(1) The earnings per share for the corresponding quarter and period-to-date were restated to reflect the retrospective adjustments arising from the bonus issue completed on 20 April 2016, in accordance with "MFRS 133, Earnings per Share".

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.

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

Interim financial report for the third quarter ended 31 March 2016

(The figures have not been audited)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES 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 2015 were not qualified.

B13. Profit before tax

	3 MONTHS ENDED		PERIOD-TO-DATE	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	1,208	983	4,160	1,891
(b) Other income including investment income	-	-	-	-
(c) Interest expense	(339)	(356)	(1,028)	(1,036)
(d) Depreciation and amortization	(2,261)	(1,974)	(6,653)	(5,729)
(e) Impairment loss on receivables	-	(4)	(27)	(4)
(f) Provision for and write off of inventories	-	-	-	15
(g) Gain on loss on disposal of quoted or unquoted investments or properties	-	-	-	-
(h) Impairment of assets	-	-	-	-
(i) Foreign exchange (loss)/gain	(5,912)	2,677	2,643	8,166
(j) Gain/(loss) on derivatives	1,116	778	1,253	(247)
(k) Rental expenses	(777)	(577)	(1,514)	(1,489)
(l) Gain from a bargain purchase	-	-	(4,684)	-
(m) Exceptional items	-	-	-	-

B14. Realised and unrealised profit/(losses) disclosure

	AS AT 31.3.2016 RM'000	AS AT 30.6.2015 RM'000
Total retained earnings of the Company and subsidiary companies:		
- Realised	125,780	80,171
- Unrealised	(2,142)	5,241
	123,638	85,412
Consolidated adjustments	(3,113)	(2,749)
Total retained earnings	120,525	82,663

By order of the Board
27 May 2016