



# **KAREX BERHAD**

(Incorporated in Malaysia)

(1018579-U)

## **Interim Financial Report for the First Quarter Ended 30 September 2016**

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

Interim financial report for the first quarter ended 30 September 2016  
(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS <sup>(1)</sup>**

	Note	3 MONTHS ENDED		PERIOD-TO-DATE	
		30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
Revenue		80,037	76,093	80,037	76,093
Cost of goods sold		(55,606)	(48,579)	(55,606)	(48,579)
<b>Gross profit</b>		<b>24,431</b>	<b>27,514</b>	<b>24,431</b>	<b>27,514</b>
Other income		1,203	9,205	1,203	9,205
Distribution expenses		(6,245)	(4,795)	(6,245)	(4,795)
Administrative expenses		(9,495)	(6,530)	(9,495)	(6,530)
Other expenses		-	-	-	-
<b>Result from operating activities</b>		<b>9,894</b>	<b>25,394</b>	<b>9,894</b>	<b>25,394</b>
Interest income		856	1,591	856	1,591
Finance costs		(299)	(359)	(299)	(359)
Net finance income		557	1,232	557	1,232
<b>Profit before tax</b>	<b>B13</b>	<b>10,451</b>	<b>26,626</b>	<b>10,451</b>	<b>26,626</b>
Tax expense	B6	(2,323)	(4,522)	(2,323)	(4,522)
<b>Profit for the period</b>		<b>8,128</b>	<b>22,104</b>	<b>8,128</b>	<b>22,104</b>
<b>Profit for the period attributable to:</b>					
Owners of the Company		8,137	22,288	8,137	22,288
Non-controlling interests		(9)	(184)	(9)	(184)
<b>Profit for the period</b>		<b>8,128</b>	<b>22,104</b>	<b>8,128</b>	<b>22,104</b>
Earnings per share attributable to owners of the Company (sen): <sup>(2)</sup>					
- Basic	B11	0.81	2.22	0.81	2.22
- Diluted	B11	0.81	2.22	0.81	2.22

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 2016 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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(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME <sup>(1)</sup>**

	<b>3 MONTHS ENDED</b>		<b>PERIOD-TO-DATE</b>		
	<u>Note</u>	<b>30.9.2016</b> RM'000	<b>30.9.2015</b> RM'000	<b>30.9.2016</b> RM'000	<b>30.9.2015</b> RM'000
<b>Profit for the period</b>		<b>8,128</b>	<b>22,104</b>	<b>8,128</b>	<b>22,104</b>
<b>Other comprehensive profit, net of tax</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Foreign currency translation differences for foreign operations		3,111	6,814	3,111	6,814
<b>Total comprehensive income for the period</b>		<b>11,239</b>	<b>28,918</b>	<b>11,239</b>	<b>28,918</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		11,233	28,968	11,233	28,968
Non-controlling interests		6	(50)	6	(50)
<b>Total comprehensive income for the period</b>		<b>11,239</b>	<b>28,918</b>	<b>11,239</b>	<b>28,918</b>

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 2016 and the accompanying explanatory notes as attached to this interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION<sup>(1)</sup>**

	Note	AS AT 30.9.2016 RM'000	AS AT 30.6.2016 RM'000
<b>Assets</b>			
Property, plant and equipment		189,187	180,934
Intangible assets		32,849	32,571
Goodwill	B7(A)(i)	27,230	-
Deferred tax assets		206	247
<b>Total non-current assets</b>		<u>249,472</u>	<u>213,752</u>
Inventories		80,436	63,790
Trade and other receivables <sup>(2)</sup>		110,942	133,384
Tax recoverable		3,855	2,885
Cash and cash equivalents		127,358	144,269
<b>Total current assets</b>		<u>322,591</u>	<u>344,328</u>
<b>Total assets</b>		<u><b>572,063</b></u>	<u><b>558,080</b></u>
<b>Equity</b>			
Share capital		250,594	250,594
Reserves		239,706	228,473
<b>Total equity attributable to owners of the Company</b>		490,300	479,067
<b>Non-controlling interest</b>		611	605
<b>Total equity</b>		<u>490,911</u>	<u>479,672</u>
<b>Liabilities</b>			
Loan and borrowings (secured)	B8	14,889	16,112
Deferred tax liabilities		7,690	7,755
<b>Total non-current liabilities</b>		<u>22,579</u>	<u>23,867</u>
Trade and other payables		46,515	42,976
Loan and borrowings (secured)	B8	10,086	9,783
Taxation		1,972	1,782
<b>Total current liabilities</b>		<u>58,573</u>	<u>54,541</u>
<b>Total liabilities</b>		<u>81,152</u>	<u>78,408</u>
<b>Total equity and liabilities</b>		<u><b>572,063</b></u>	<u><b>558,080</b></u>
Net assets per share attributable to owners of the Company (RM)		<u>0.49</u>	<u>0.48</u>

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 2016 and the accompanying explanatory notes as attached to this interim financial statements.
- (2) In current financial period, trade and other receivables include an advance payment of RM16.2 million (USD 4.0 million) for the purpose of acquiring the rights, title and interests to certain assets of Line One Laboratories, Inc ("Line One") as mentioned in B7 (A) (ii). In previous financial year, trade and other receivables include an advance payment of RM34.2 million (GBP 6.0 million) for the purpose of pursuing the proposed acquisition of the entire issued and paid share capital in Pasante Healthcare Limited ("Pasante") as mentioned in B7 (A) (i).

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY <sup>(1)</sup>**

	← 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	RM'000	
<b>30 September 2016</b>									
<b>At 1 July 2016</b>	250,594	31,386	63,511	216	718	132,642	479,067	605	479,672
Foreign currency translation differences for foreign operations/									
Total other comprehensive income for the period	-	-	-	3,096	-	-	3,096	15	3,111
Profit for the period	-	-	-	-	-	8,137	8,137	(9)	8,128
<b>Total comprehensive income for the period</b>	-	-	-	3,096	-	8,137	11,233	6	11,239
<b>At 30 September 2016</b>	<b>250,594</b>	<b>31,386</b>	<b>63,511</b>	<b>3,312</b>	<b>718</b>	<b>140,779</b>	<b>490,300</b>	<b>611</b>	<b>490,911</b>

	← 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	RM'000	
<b>30 September 2015</b>									
<b>At 1 July 2015</b>	167,063	114,917	63,511	2,725	718	82,663	431,597	793	432,390
Foreign currency translation differences for foreign operations/									
Total other comprehensive income for the period	-	-	-	6,680	-	-	6,680	134	6,814
Profit for the period	-	-	-	-	-	22,288	22,288	(184)	22,104
<b>Total comprehensive income for the period</b>	-	-	-	6,680	-	22,288	28,968	(50)	28,918
<b>At 30 September 2015</b>	<b>167,063</b>	<b>114,917</b>	<b>63,511</b>	<b>9,405</b>	<b>718</b>	<b>104,951</b>	<b>460,565</b>	<b>743</b>	<b>461,308</b>

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 2016 and the accompanying explanatory notes as attached to this interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS <sup>(1)</sup>**

	Notes	PERIOD-TO-DATE	
		30.9.2016 RM'000	30.9.2015 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		10,451	26,626
Adjustment for:			
Non-cash items		1,060	(5,970)
<b>Operating profit before changes in working capital</b>		<b>11,511</b>	<b>20,656</b>
Net changes in current assets		366	(16,855)
Net changes in current liabilities		(5,682)	7,705
Cash generated from operations		6,195	11,506
Tax paid		(3,127)	(2,696)
<b>Net cash from operating activities</b>		<b>3,068</b>	<b>8,810</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of:			
- Property, plant and equipment		(7,649)	(7,625)
- Subsidiaries, net cash and cash equivalents, acquired	B7(A)(i)	4,120	-
- Intangible asset		(295)	-
Advance payment for proposed acquisition	B7(A)(ii)	(16,196)	-
Proceed from disposal of property, plant and equipment		2	101
Interest received		856	1,591
<b>Net cash used in investing activities</b>		<b>(19,162)</b>	<b>(5,933)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net (repayment)/drawdown of borrowings and interest paid		(1,266)	14
Increase placement in fixed deposits pledged to licensed banks		(70)	(829)
<b>Net cash used in financing activities</b>		<b>(1,336)</b>	<b>(815)</b>
Effect of exchange rate fluctuations on cash held		463	627
<b>Net changes in cash and cash equivalents</b>		<b>(16,967)</b>	<b>2,689</b>
Cash and cash equivalents at beginning of the period		143,318	207,481
<b>Cash and cash equivalents at end of the period</b>		<b>126,351</b>	<b>210,170</b>

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS <sup>(1)</sup>**

**Cash and cash equivalents**

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

	<b>PERIOD-TO-DATE</b>	
	<b>30.9.2016</b>	<b>30.9.2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and bank balances	29,371	39,594
Deposits with licensed banks	1,007	7,038
Deposit with other corporation	96,980	164,604
	127,358	211,236
Less: Fixed deposit pledged	(1,007)	(1,066)
	<b>126,351</b>	<b>210,170</b>

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 2016 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 2016 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 2016.

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 2016. 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 2018**

- MFRS 15, Revenue from Contract with Customers
  - Clarification to MFRS 15
- 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 annual periods beginning on or after 1 January 2019**

- MFRS 16, Leases
- Amendments to MFRS 2, Classification and Measurement of Share-based Payment Transactions

#### **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 these accounting standards, amendments and interpretations in the respective financial year when these 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**

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.

#### **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.

**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)**

**MFRS 16, Leases**

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15, MFRS 9 and MFRS 16.

**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**

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

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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:-

	<b>Sexual Wellness</b>	<b>Medical</b>	<b>Others</b>	<b>Eliminations</b>	<b>Total</b>
	RM'000	RM'000	RM'000	RM'000	RM'000
<b><u>3 months ended 30.9.2016</u></b>					
<u>Revenue</u>					
External revenue	70,858	6,959	2,220	-	80,037
Inter-segment revenue	-	-	-	-	-
Total revenue	<u>70,858</u>	<u>6,959</u>	<u>2,220</u>	<u>-</u>	<u>80,037</u>
<u>Results</u>					
Segment profit	7,829	1,791	569	-	10,189
Interest income					856
Finance cost					(299)
Unallocated amounts					(295)
Profit before tax					<u>10,451</u>
Tax expenses					(2,323)
Profit after tax					<u>8,128</u>
<u>Total Assets</u>					
Reportable segment assets	423,810	17,864	2,296	-	443,970
Unallocated assets					128,093
Total Assets					<u>572,063</u>
<b><u>3 months ended 30.9.2015</u></b>					
<u>Revenue</u>					
External revenue	71,052	5,041	-	-	76,093
Inter-segment revenue	-	-	-	-	-
Total revenue	<u>71,052</u>	<u>5,041</u>	<u>-</u>	<u>-</u>	<u>76,093</u>
<u>Results</u>					
Segment profit	19,556	2,033	-	-	21,589
Interest income					1,591
Finance cost					(359)
Unallocated amounts					3,805
Profit before tax					<u>26,626</u>
Tax expenses					(4,522)
Profit after tax					<u>22,104</u>
<u>Total Assets</u>					
Reportable segment assets	357,125	14,015	-	-	371,140
Unallocated assets					167,388
Total Assets					<u>538,528</u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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

#### **A8. Subsequent events**

Other than as disclosed in B7, 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 1 July 2016, the Group has acquired 100% of the issued and paid-up share capital in Pasante Healthcare Limited for a cash consideration of GBP 6.0 million.
- b) On 29 September 2016, the Group has subscribed for 249,997 new ordinary shares of THB 100.00 per share in Karex Polymers Limited ("KPL") representing 99.99% of the issued share capital of KPL for a cash consideration of THB6,249,925. The intended principal activity of KPL is manufacturing of pre-vulcanised latex for use in the manufacturing facilities of the Group.

#### **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	
	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
Revenue	80,037	76,093	80,037	76,093
Result from operating activities	9,894	25,394	9,894	25,394
Profit before tax	10,451	26,626	10,451	26,626
Profit after tax	8,128	22,104	8,128	22,104

For the first quarter ended 30 September 2016 (1QFY2017), revenue was higher by 5.2% or RM3.9 million as compared to the corresponding quarter in the previous year largely due to consolidation of the sales from our newly acquired subsidiary, Pasante Healthcare Limited. Result from operating activities was lower as compared to the corresponding quarter in the previous year primarily due to a lower gain from foreign exchange and higher distribution expenses as well as one-off corporate exercise expenses. Correspondingly, profit before tax and profit after tax are lower as compared to the corresponding quarter in the previous year.

**B2. Variance of results for the current quarter ended 30 June 2016 against the immediate preceding quarter**

	3 MONTHS ENDED	
	30.9.2016 RM'000	30.6.2016 RM'000
Revenue	80,037	82,722
Result from operating activities	9,894	12,306
Profit before tax	10,451	14,059
Profit after tax	8,128	12,043

Revenue in 1QFY2017 decreased marginally as compared to the previous quarter as there were some delay in delivery of certain tender orders. These orders had been subsequently delivered. Profit after tax was lower by 32.5% or RM3.9 million as compared to the previous quarter mainly due to higher distribution expenses and one-off corporate exercise expenses. Lower foreign exchange gain also contributed to the lower profit after tax.

**B3. a) Group's Prospects for the financial year ending 30 June 2017 ("FYE 2017")**

The Group is optimistic of the prospect for FYE2017 due to continuous strong demand of our existing and own brand 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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**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

**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	
	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
Estimated tax payable:				
- Current provision	2,299	3,728	2,299	3,728
Deferred taxation:				
- Current provision	24	794	24	794
	2,323	4,522	2,323	4,522

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 1 July 2016, the Group has acquired 100% of the issued and paid-up share capital in Pasante Healthcare Limited for a cash consideration of GBP 6.0 million (equivalent to RM 34.2 million).

	RM'000
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	299
Inventories	6,206
Trade and other receivables	5,493
Cash and cash equivalents	4,120
Trade and other payables	(9,131)
Net assets acquired	6,987
Goodwill	27,230
Consideration paid by the Group	34,217

Net cash arising from Acquisitions are as follows:-

Purchase consideration settled in cash and cash equivalents	34,217 <sup>(1)</sup>
Cash and cash equivalents acquired	(4,120)
	30,097

<sup>(1)</sup> Purchase consideration was previously paid in advance during the financial year 2016.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

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

**B7. Status of corporate proposals (continued)**

ii) Proposed Acquisition

On 30 August 2016, the Group has entered into a conditional asset purchase agreement ("APA") with Line One Laboratories , Inc ("Line One") for the rights, title and interests to certain assets of Line One for a cash consideration of USD 8.0 million. An advance payment of RM 16.2 million (USD 4.0 million) was paid in the current quarter. The acquisition is pending for completion.

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

(B) Status of utilisation of proceeds

i) Initial Public Offering

The gross proceeds raised from the Public Issue amounted to RM74.93 million. As at 30 September 2016, the status of the

Purposes	Proposed utilisation RM'000	Actual utilisation RM'000	Deviations RM'000	Reallocation RM'000	Balance RM'000	Intended timeframe for utilisation
Research and Development	4,000	(4,000)	-	-	-	Within 36 months
Capital expenditure	41,750	(24,237)	-	(17,513) <sup>(3)</sup>	-	Within 36 months
Working capital	13,675	(30,460)	(728) <sup>(2)</sup>	17,513 <sup>(3)</sup>	-	Within 36 months
Repayment of bank borrowing	10,000	(10,000)	-	-	-	Within 6 months
Listing expenses	5,500	(6,228)	728 <sup>(2)</sup>	-	-	Within 6 months
Total gross proceeds	<u>74,925</u>	<u>(74,925)</u>	<u>-</u>	<u>-</u>	<u>-</u>	

Note:

- (1) The proposed utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus 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.
- (3) In accordance to the Prospectus dated 11 October 2013, the remaining proceeds to be utilised for capital expenditure will now be reallocated for working capital.

ii) Private Placement

The gross proceeds raised from the Private Placement amounting to RM158.0 million and the status of the utilisation of the proceeds as at 30 September 2016 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	(90,414)	-	19,586	Within 24 months
Working capital	44,450	(27,556)	740 <sup>(2)</sup>	17,634	Within 24 months
Listing expenses	3,500	(2,760)	(740) <sup>(2)</sup>	-	Upon completion of PP
Total gross proceeds	<u>157,950</u>	<u>(120,730)</u>	<u>-</u>	<u>37,220</u>	

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.

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

Interim financial report for the first quarter ended 30 September 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**

**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	10,086	14,889	24,975

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

	Foreign Currency	RM'000
- Ringgit Malaysia	N/A	5,903
- US Dollar	1,640	6,743
- Thai Baht	103,659	12,329
		24,975

**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	
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
Profit attributable to ordinary shareholders of the Company (RM'000)	8,137	22,288	8,137	22,288
Weighted average number of ordinary shares in issue ('000)	1,002,375	1,002,375	1,002,375	1,002,375
Basic EPS (sen) <sup>(1)</sup>	0.81	2.22	0.81	2.22

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 first quarter ended 30 September 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 2016 were not qualified.

**B13. Profit before tax**

	3 MONTHS ENDED		PERIOD-TO-DATE	
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	856	1,591	856	1,591
(b) Other income including investment income	-	-	-	-
(c) Interest expense	(299)	(359)	(299)	(359)
(d) Depreciation and amortization	(2,098)	(2,032)	(2,098)	(2,032)
(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	1,621	12,116	1,621	12,116
(j) Loss on derivatives	(491)	(3,113)	(491)	(3,113)
(k) Rental expenses	(813)	(420)	(813)	(420)
(l) Exceptional items	-	-	-	-
	-	-	-	-

**B14. Realised and unrealised profit/(losses) disclosure**

	AS AT 30.9.2016 RM'000	AS AT 30.6.2016 RM'000
Total retained earnings of the Company and subsidiary companies:		
- Realised	266,203	248,132
- Unrealised	(2,507)	(4,410)
	263,696	243,722
Consolidated adjustments	(122,917)	(111,080)
Total retained earnings	140,779	132,642

By order of the Board  
28 Nov 2016