



# ANNUAL REPORT

PROGRESSING  
BEYOND /2016



# FOREWORD

DEAR FELLOW SHAREHOLDERS,

Last year was yet another ground-breaking and inspiring year for our company. For the third consecutive year, Karex posted record profit, marking 130% growth since our listing in 2013.

In addition to achieving our growth target, we continue to make key investments in technology, infrastructure and talent — each critically important to the future of our company. We find new ways to improve capacity and automate operations, freeing our human resources to focus on growth and innovation. We champion social responsibility and sustainability, not just as moral imperatives but to build better, stronger relationships within our communities. We collaborate with people possessing different backgrounds, talents, beliefs and passions, all for the common good.

Our vision has always been to build an organisation that responds to changing views of sexual health, and develops products that inspire people to make better, healthier choices. To accelerate our efforts, last year we completed several key acquisitions. These new assets complement our existing operations and increase our influence and value within the condom industry. In the coming years, we will continue to seek out companies that further the Karex mission and provide new opportunities for growth.

I feel extremely blessed to work for this great company with such a talented and dedicated team. Together, we've built an exceptional organisation that sets new standards for innovation and quality within our industry. Through our efforts we inspire individuals to make educated decisions about their sexual health, and I hope you share my feeling of pride in knowing that our work saves lives around the world.

**MK GOH**  
CHIEF EXECUTIVE OFFICER



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**TAN SRI DATO' SERI UTAMA  
ARSHAD BIN AYUB**  
Chairman/  
Independent Non-Executive Director

**DATO' DR. ONG ENG LONG @  
ONG SIEW CHUAN**  
Senior Independent Non-Executive  
Director

**GOH SIANG**  
Senior Executive Director

**GOH LENG KIAN**  
Executive Director

**GOH YEN YEN**  
Executive Director

**LAM JIUAN JIUAN**  
Non-Independent Non-Executive  
Director

**WONG YIEN KIM**  
Independent Non-Executive Director

**LAW NGEE SONG**  
Independent Non-Executive Director

## AUDIT COMMITTEE

**WONG YIEN KIM**  
Chairman  
Independent Non-Executive Director

**TAN SRI DATO' SERI UTAMA  
ARSHAD BIN AYUB**  
Member  
Independent Non-Executive Director

**DATO' DR. ONG ENG LONG @  
ONG SIEW CHUAN**  
Member  
Senior Independent Non-Executive  
Director

**LAW NGEE SONG**  
Member  
Independent Non-Executive Director

## RISK MANAGEMENT COMMITTEE

**LAM JIUAN JIUAN**  
Chairwoman  
Non-Independent Non-Executive  
Director

**DATO' DR. ONG ENG LONG @  
ONG SIEW CHUAN**  
Member  
Senior Independent Non-Executive  
Director

**GOH MIAH KIAT**  
Member  
Chief Executive Officer

**GOH CHOK SIANG**  
Member  
Chief Financial Officer

## NOMINATION COMMITTEE

**LAW NGEE SONG**  
Chairman  
Independent Non-Executive Director

**WONG YIEN KIM**  
Member  
Independent Non-Executive Director

**LAM JIUAN JIUAN**  
Member  
Non-Independent Non-Executive  
Director

## REMUNERATION COMMITTEE

**TAN SRI DATO' SERI UTAMA  
ARSHAD BIN AYUB**  
Chairman  
Independent Non-Executive Director

**LAW NGEE SONG**  
Member  
Independent Non-Executive Director

**GOH YEN YEN**  
Member  
Executive Director

## COMPANY SECRETARIES

**LIM LEE KUAN**  
(MAICSA 7017753)

**ANNA LEE AI LENG**  
(LS 0009729)

## REGISTERED OFFICE

10<sup>th</sup> Floor, Menara Hap Seng,  
No. 1 & 3 Jalan P. Ramlee,  
50250 Kuala Lumpur, Malaysia  
Tel : +603-2382 4288  
Fax : +603-2382 4170

## MANAGEMENT OFFICE

Lot 594, Persiaran Raja Lumu,  
Pandamaran Industrial Estate,  
42000 Port Klang,  
Selangor Darul Ehsan, Malaysia  
Tel : +603-3165 6688  
Fax : +603-3166 2000  
Email : karex@karex.com.my

## SHARE REGISTRAR

Symphony Share Registrars  
Sdn. Bhd. (378993-D)  
Level 6, Symphony House,  
Pusat Dagangan Dana 1,  
Jalan PJU 1A/46,  
47301 Petaling Jaya,  
Selangor Darul Ehsan, Malaysia  
Tel : +603-7841 8000  
Fax : +603-7841 8151/8152

## AUDITORS

Messrs. KPMG [AF 0758]  
Chartered Accountants  
Level 14, Menara Ansar,  
65, Jalan Trus,  
80000 Johor Bahru,  
Johor Darul Takzim, Malaysia  
Tel : +607-224 2870  
Fax : +607-224 8055

## BANKERS

Bangkok Bank Public Company Limited  
Hong Leong Bank Berhad  
HSBC Bank Malaysia Berhad  
RHB Bank Berhad  
United Overseas Bank (Malaysia) Berhad

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia  
Securities Berhad  
Stock Name : KAREX  
Stock Code : 5247



# CORPORATE STRUCTURE

AS AT 30 SEPTEMBER 2016







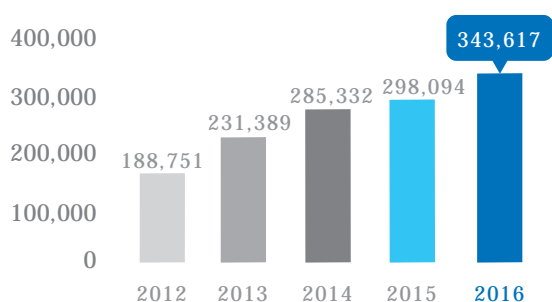


# FINANCIAL HIGHLIGHTS

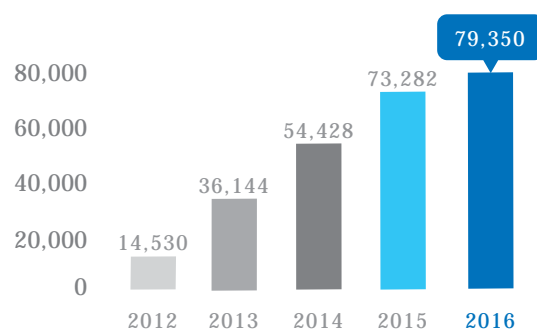
	FINANCIAL YEAR ENDED 30 JUNE				
	2012 <sup>(a)</sup>	2013 <sup>(a)</sup>	2014	2015	2016
<b>FINANCIAL PERFORMANCE (RM'000)</b>					
(i) Revenue	188,751	231,389	285,332	298,094	343,617
(ii) Profit before tax	14,530	36,144	54,428	73,282	79,350
(iii) Profit attributable to owners of the Company	12,016	29,028	45,168	59,553	66,685
<b>FINANCIAL POSITION (RM'000)</b>					
<b>ASSETS</b>					
(i) Total tangible assets	163,947	223,406	289,864	473,306	525,509
(ii) Net assets	79,094	108,397	223,332	431,597	479,067
(iii) Current assets	117,457	146,678	203,549	343,885	344,328
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>					
(i) Current liabilities	91,569	99,010	51,664	51,241	54,541
(ii) Paid-up share capital	57,375	57,375	101,250	167,063	250,594
(iii) Shareholders' funds	79,094	108,397	223,332	431,597	479,067
<b>PER SHARE</b>					
(i) Basic earning (sen) *	1.55	3.75	5.23	6.34	6.65
(ii) Net assets (RM) **	0.34	0.47	0.55	0.65	0.48
* Based on weighted average number of shares issued ('000)	774,563 <sup>(b)</sup>	774,563 <sup>(b)</sup>	863,316 <sup>(b)</sup>	938,962 <sup>(b)</sup>	1,002,375
** Based on number of shares issued ('000)	229,500	229,500	405,000	668,250	1,002,375
<b>FINANCIAL RATIOS</b>					
(i) Return on total tangible assets (%)	7%	13%	16%	13%	13%
(ii) Return on shareholders' funds (%)	15%	27%	20%	14%	14%
(iii) Current ratio (times)	1.28	1.48	3.94	6.71	6.31
(iv) Gearing ratio (times)	0.46	0.47	0.10	0.05	0.05
(v) Gearing ratio net of cash (times)	0.35	0.09	N/A <sup>(c)</sup>	N/A <sup>(c)</sup>	N/A <sup>(c)</sup>

- a) The figures as stated above for the financial years ended 30 June 2012 to 2013 are consistent with the proforma consolidated financial information as disclosed in our Prospectus dated 11 October 2013. The proforma consolidated financial information have been prepared based on the assumption that the acquisition of subsidiaries have been in existence since the financial year 2012 and before the completion of the Initial Public Offer and Bonus Issue. The accounting principles and bases applied are consistent with those adopted by the Group for the financial year ended 30 June 2016.
- b) Restated to reflect the retrospective adjustments arising from the bonus issue completed in the financial years ended 30 June 2014 to 30 June 2016 in accordance with "MFRS 133, Earnings per Share".
- c) No disclosure of gearing ratio net of cash (times) as the Group is in a net positive cash position.

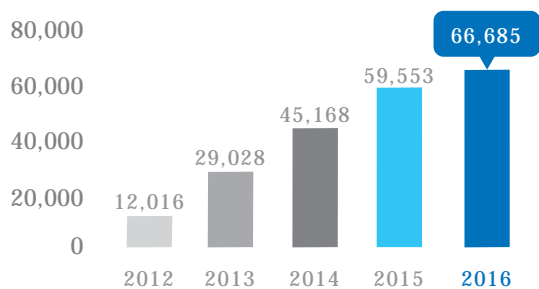
REVENUE (RM'000)



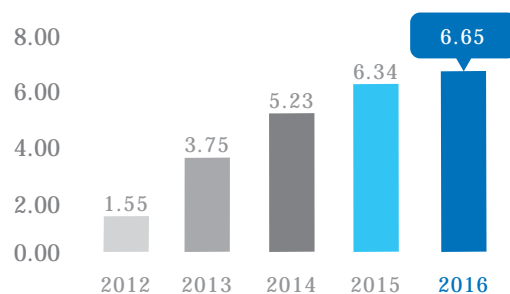
PROFIT BEFORE TAX (RM'000)



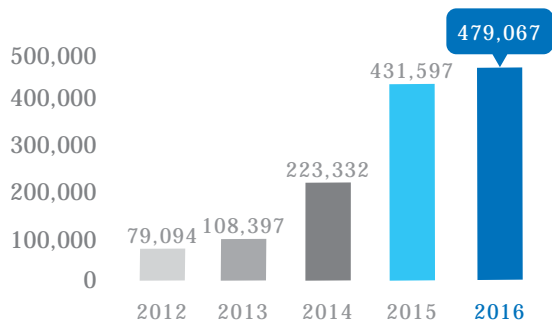
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM'000)



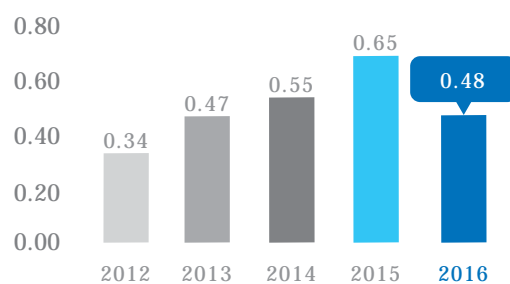
BASIC EARNING PER SHARE (SEN)



NET ASSETS (RM'000)



NET ASSETS PER SHARE (RM)





**TAN SRI DATO' SERI UTAMA ARSHAD BIN AYUB**  
CHAIRMAN

# CHAIRMAN'S STATEMENT

*“REFLECTING ON ANOTHER YEAR OF GROWTH, I AM PLEASED TO REPORT THAT OUR GROUP HAS DELIVERED A RECORD PROFIT FOR THE THIRD YEAR IN A ROW, WITH A PROFIT AFTER TAX UP 11.2% TO RM66.4 MILLION.”*

Dear valued shareholders,

Our Group recorded a revenue of RM343.6 million representing a 15.3% improvement from the previous financial year largely attributable to the growth in condoms sales and the favourable exchange rate between the US Dollar and Ringgit Malaysia. The continuing shift towards better margin products also reflected an improvement in gross profit by 17.1% from the previous financial year to RM114.5 million.

We have successfully utilised some of the funds raised from the private placement exercise last year for key acquisitions as intended, but nevertheless maintained a healthy cash position of RM144.3 million. Our gearing ratio continues to remain low at 0.05 times, keeping us in a very healthy position going forward.

In terms of annual manufacturing capacity, we successfully commissioned the entirety of our 5.0 billion pieces and have already commenced our further expansion to 6.0 billion pieces. We have also continued to automate our production lines in order to ensure that we retain our status at the forefront of global condom manufacturing.

A TOTAL OF

**334,125,000**

NEW SHARES WERE ISSUED, BRINGING THE  
TOTAL SHARES ISSUED AS AT 30 JUNE 2016 TO

**1,002,375,000** SHARES



Through these commendable achievements, we remain focused on continuing to create value for our shareholders. As at 30 June 2016, earnings per share stood at 6.65 sen representing an increase of 4.9% from the previous year.

In April 2016, we completed another bonus issue exercise to reward our shareholders on a 1:2 basis. A total of 334,125,000 new shares were issued, bringing the total shares issued as at 30 June 2016 to 1,002,375,000 shares.

We continue to remain very confident in our future. As such, we are proposing a dividend of 2.0 sen per share. If approved at our upcoming Annual General Meeting, the dividend will be paid to all shareholders on 16 December 2016.

On behalf of the Board, I would like to thank our employees for their hard work that has been at the core of our success. I am confident that their dedication and talent will enable us to meet our ambitious objectives for the future.

I would also like to thank MK Goh and his management team for their commitment in ensuring Karex continues to be built on strong foundations.

Finally, to all our shareholders, thank you once again for placing your trust and faith in Karex.

I look forward to seeing you at our Annual General Meeting.

**TAN SRI DATO' SERI UTAMA ARSHAD BIN AYUB**  
CHAIRMAN

REVENUE	PROFIT BEFORE TAX
RM343,617,000	RM79,350,000

**THROUGH THESE COMMENDABLE  
ACHIEVEMENTS, WE REMAIN FOCUSED  
ON CONTINUING TO CREATE VALUE  
FOR OUR SHAREHOLDERS**

# CEO'S STATEMENT

*DEAR VALUED SHAREHOLDERS,*

*LET US BEGIN WITH A YEAR IN REVIEW. THIS YEAR WAS A YEAR OF CHALLENGES AND SIGNIFICANT ACCOMPLISHMENT, TRANSFORMATION OF THE SIZE, SCOPE AND STRUCTURE OF OUR BUSINESS. I AM PLEASED TO ANNOUNCE THAT THROUGH IT ALL WE WERE ABLE TO RISE TO THOSE CHALLENGES AND POSITION OUR ORGANISATION FOR FUTURE SUCCESS.*

## **INDUSTRY REVIEW**

The global condom market continued to grow in 2016 driven by the growing requirements of family planning, continued threat of HIV/AIDS, prevalence of sexually transmitted infections as well as the improvements in sexual health education.

The recent outbreak of the Zika virus resulting uncertainty about its transmission properties served as a reminder of the advantages that condoms possess over other preventive measures. Condoms remain the best form of contraception and protection as it is the most affordable and accessible means of preventing the spread of sexually transmitted infections.

Yet in spite of the benefits, condom usage around the world is still relatively low. According to the US Centre for Disease Control and Prevention, an alarmingly small proportion of a mere 5% of the global population utilise condoms on a regular basis.

Governments have become increasingly aware of this and have allocated budgets to educating younger generations as well as purchasing condoms for distribution to the lower income nations. There has also been a shift from traditional, featureless condoms to those that vary in colours, flavours and texture to encourage usage amongst the public.



**MK GOH**  
CHIEF EXECUTIVE OFFICER

### OPERATIONS REVIEW

Our capacity expansion has been going according to plan with the Group achieving its 5.0 billion pieces in annual manufacturing capacity during the FYE 2016. By early 2017, we hope to realise our plans to increase capacity to 6.0 billion pieces as aggressive expansions are carried out at our Senai, Johor and Hat Yai, Thailand facilities.

Utilisation rate across our Group was maintained at a comfortable level of 69.3% with FYE 2016 achieving greater contribution from our commercial segment (OEM). Nevertheless, the tender segment remains an integral part of our business as governments and NGOs continue to purchase half the world's condoms.

We have also taken further steps to automate our manufacturing processes by incorporating additional automated electronic testing machines at our Pontian, Johor facility. Other operational improvements include the optimisation of the factory layout in line with LEAN practices in all our factories and ramping up production at Medical Latex (Dua) Sdn. Bhd. in Senai, Johor following the acquisition.

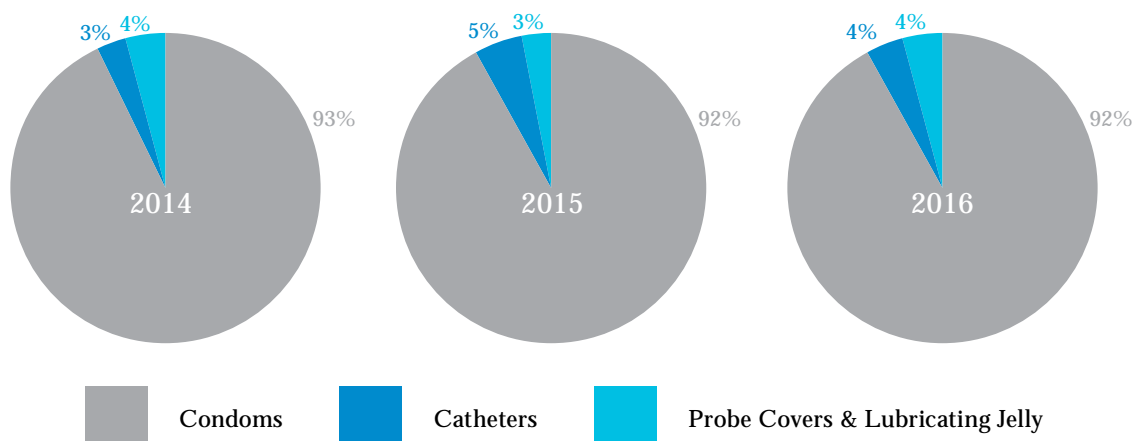


### FINANCIAL REVIEW

Karex has grown from strength to strength in delivering our most outstanding performance to date with a revenue of RM343.6 million and a profit after tax of RM66.4 million corresponding to an improvement of 15.3% and 11.2% on a year-on-year basis respectively. This is especially significant considering the backdrop of the challenging economic climate faced over the course of the year.

#### Product Segments

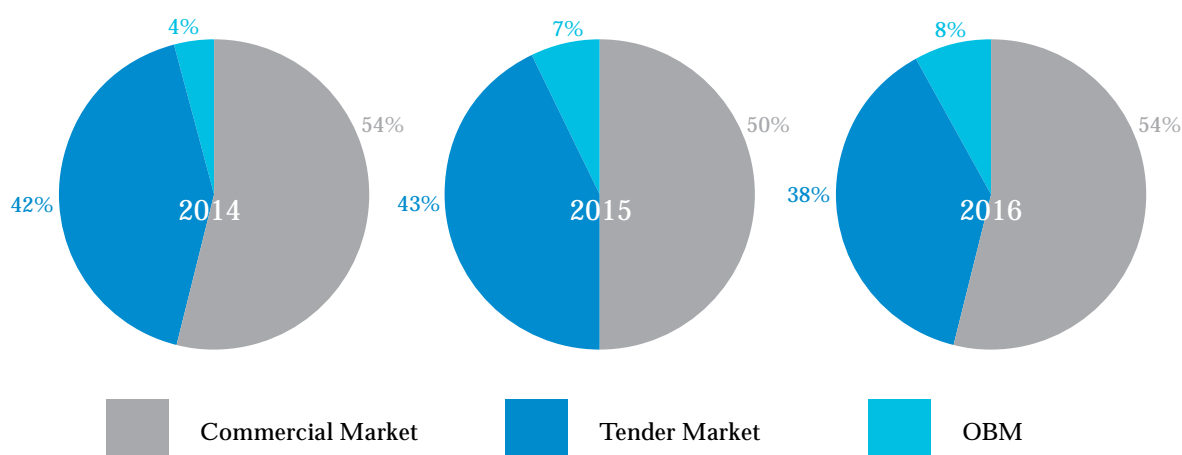
Condoms remained our key revenue contributor throughout the FYE 2016 with over 92% of revenue. Catheters (4%) and Probe Covers & Lubricating Jelly (4%) remained stable in their contributions keeping in line with improvement of group results as a whole.



### Market Segments

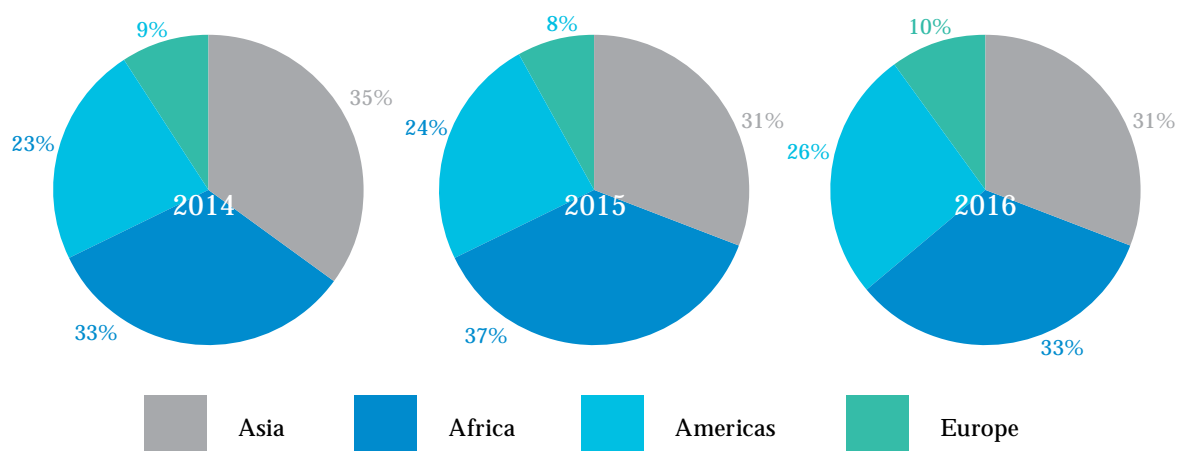
OEM remained the top revenue contributor with an improvement of 50% to 54% from the previous year. This was largely due to the shift in consumer preferences towards premium, higher value products that we have developed over the years. Our established reputation for consistency in delivering top quality products and focus on innovation has positioned us as the trusted manufacturer for global brands around the world.

In line with the strategies laid out over the last few years, our own brand manufacturing's (OBM) revenue contribution rose from 7% to 8% in a year due to the growing acceptance of our brands in their respective markets.



### Geographical Location

Most significantly, revenue contribution from Americas went up from 24% to 26% in the last year due to our improved market presence in that region following our acquisition of Global Protection Corporation. The revenue contribution from Europe has also increased from 8% to 10% owing to the shift of consumer preferences to Karex's products which are more affordable. We are confident with our recent acquisition of Pasante Healthcare Limited, we are able to further strengthen our position in Europe in the near future.





### ACQUISITIONS

#### **Medical-Latex (Dua) Sdn. Bhd.**

In October 2015, we acquired a 100% equity interest in Medical-Latex (Dua) Sdn. Bhd. from Beiersdorf AG for RM13.0 million. The established manufacturer is located in Senai, Johor and the deal included a long term exclusive contract to supply the vendor's existing brands as well as the right of first refusal to acquire its brands in the future.

#### **Theyfit, LLC**

In January 2016, we acquired intellectual property assets for USD1.3 million that included trademarks and approvals required to produce custom fit condoms in over 95 sizes with the aim of incorporating such concepts into our existing OBM portfolio.

#### **Pasante Healthcare Limited**

In July 2016, we acquired a 100% equity interest in Pasante Healthcare Limited for GBP6.0 million. The established brand has a strong presence in the retail and tender markets in the UK and is expected to complement our OBM segment with its experienced sales team.

#### **Line One Laboratories Inc**

In August 2016, we entered into an agreement to acquire intellectual properties including the trademarks, patents and approvals to market and distribute condoms under the established brands of Trustex, Kameleon and Fantasy for USD8.0 million.

## LOOKING AHEAD

### **Position as World's Largest Condom Maker**

Our continued commitment to improve our position as the global leader in condom manufacturing encompasses not only long term capacity expansion plans but improving our productivity, quality assurance and safety standards. We are continuously introducing further automation into our production processes in order to improve the consistency of quality as well as overcoming the challenges of rising labour cost.

### **Human Capital**

In Karex, we recognise and value the right personnel in order to realise our ambitions. We consistently improve our incentive schemes, staff benefits and training procedures in order to cultivate a culture of leadership, entrepreneurship and diversity within our Group. We strive to retain our talents as we believe it is team work that brought us to where we are today.

### **Innovation**

Innovation has and always will be at the forefront of Karex's values. We are committed to identifying innovative ideas to distinguish ourselves from other manufacturers in the condom industry and to enable us to offer greater value to our customers. Imaginative ideas from product concepts to packaging keep us at a leading position in our dynamic industry that is continuously changing.

### **Branding**

At Karex, we concentrate in building our brands as we know that brand presence is pivotal in moving us closer to our customers and enabling us to push boundaries with innovative ideas and alternative concepts.

We are pleased to report that for the past one year, we have continued to make progress in developing our own brand segments through acquisitions. With our expanding global branding team, Karex strives to move higher up the value chain.

## **SUSTAINABILITY**

For us, sustainability is not merely a choice, we consider it paramount to the future of our business by creating shared value for our team, shareholders and customers. We are focused on creating a business model that is not only financially resilient in delivering shareholder value but also aims to grow in a responsible way that creates meaningful employment and economic viability for the communities where we operate in.

Talent management policies have been refined to attract and inspire a high achievement talent base by providing competitive remuneration aimed at rewarding performance as well as ensuring that succession plans are put in place to secure a sustainable future.

The environment is another major aspect that is close to our hearts. We have continued to explore ways to make our production processes even more environment-friendly by utilising less energy while maintaining our cost competitiveness. This year, all our manufacturing sites have successfully been accredited for the environmental management systems in place. We have also just commissioned a state-of-the-art water treatment plant at our factory in Hat Yai, Thailand. By doing so, we have significantly reduced water consumption by using a large portion of recycled water in our manufacturing processes.

In line with our overall business objectives, we remain vigilant in ensuring our company's expansion and growth are sustainable.

## **DIVERSITY**

In Karex, we value diversity in our workplace. We do so by employing people with different experiences, backgrounds and talent, we aim to reflect the diverse customers and communities we serve. Inclusion is the foundation of a sustainable, strong culture. We want our people to feel confident, comfortable and enabled to reach their potential regardless of gender, age, ability, background or sexual preferences.

We wholeheartedly believe diversity and inclusion helps stimulate different ways of thinking, which supports innovation and leads to new opportunities. We also foster a diverse talent pipeline by providing equal opportunities regardless of background, always ensuring the most deserving person is rewarded.

We believe that these values are reflected in our workforce demographics that presently consists of 57% females and 42% males. Whilst these are encouraging demographic distributions, we are determined to continue to provide our workforce with equal opportunities all the way to our top management team.



### CORPORATE SOCIAL RESPONSIBILITY

As we continue to put reliable, affordable and safe condoms in the market, we believe we hold a great responsibility to make a positive social impact. We are committed to work with our communities, where we can give back, making possible today what was impossible yesterday.

HIV/AIDS continues to be a problem in Malaysia and the rest of the world affecting millions of lives. Women and youth today are among the most affected in issues such as unwanted pregnancy, sexually transmitted infections and sexual abuse. In 2015, we proudly sponsored a series of events in conjunction with World AIDS Day in Malaysia where we collaborated with local artists, key opinion leaders and NGOs in creating HIV/AIDS awareness and women empowerment. We successfully raised a fund of RM578,000 that was channelled to several non-profit organisations including WOMEN:girls (Pertubuhan Pembangunan Kendiri Wanita dan Gadis), PT Foundation and the Malaysian AIDS Council that champion these key values that continue to positively affect lives of everyday Malaysians.

We have also actively collaborated with artists, health activists and community leaders through our brands to raise awareness of HIV/AIDS and safer sex on a global level. The ONE® Lust for Life campaign encompassed a street art themed exhibition in New York, USA as well as a concert and customised condom wrappers that were distributed through health partner organisations. A portion of the proceeds from this campaign is donated to fund urban HIV awareness and condom distribution.

In addition to our day-to-day business, we contribute to the communities around us by operating in a responsible manner as well as making sustained efforts to help the less fortunate. We have continued our support of a school (Sekolah Khas Klang) for children with special needs by sponsoring part of their operation expenses.

We have continued our participation in the scholarship programme with the Malaysian Rubber Export Promotion Council (MREPC) for deserving students from low income families. I am pleased to report that several of the scholars from past years have since joined the Karex family upon graduation.

### APPRECIATION

On behalf of our team, I would like to express our utmost gratitude to our shareholders for their unwavering confidence and continuous support. I sincerely thank everyone in our team for their loyalty, determination and dedication in delivering such encouraging results.

Thank you.

**MK GOH**

CHIEF EXECUTIVE OFFICER





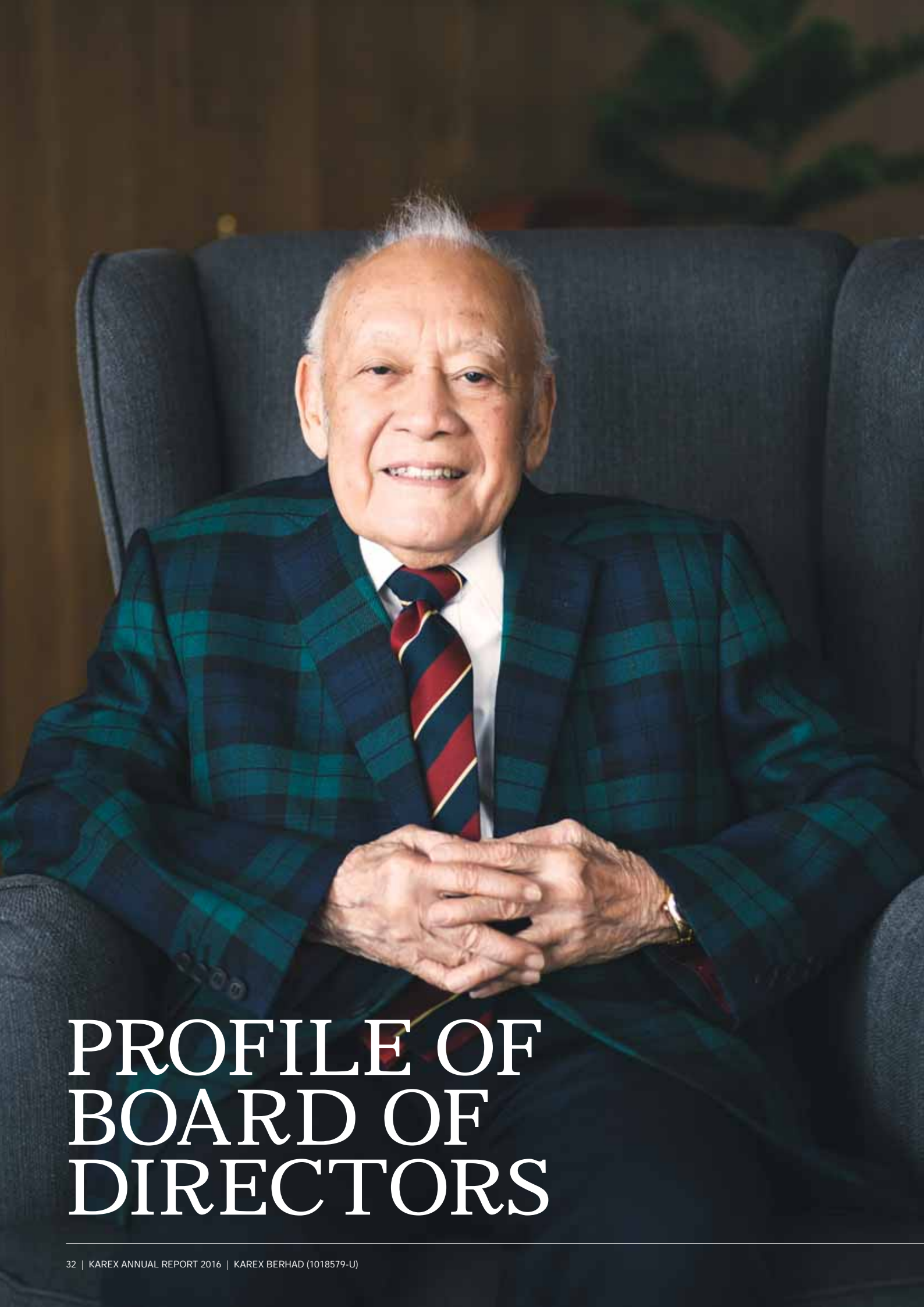




# BOARD OF DIRECTORS



FROM LEFT TO RIGHT:  
WONG YIEN KIM,  
DATO' DR. ONG ENG LONG @ ONG SIEW CHUAN,  
LAM JIUAN JIUAN, LAW NGEESONG,  
TAN SRI DATO' SERI UTAMA ARSHAD BIN AYUB,  
GOH YEN YEN, GOH SIANG, GOH LENG KIAN



# PROFILE OF BOARD OF DIRECTORS

## **TAN SRI DATO' SERI UTAMA ARSHAD BIN AYUB**

MALAYSIAN, MALE, AGED 88

CHAIRMAN, INDEPENDENT NON-EXECUTIVE DIRECTOR

Tan Sri Dato' Seri Utama Arshad was appointed to the Board on 30 November 2012 as our Chairman and Independent Non-Executive Director. He is the Chairman of the Remuneration Committee and a member of the Audit Committee.

Tan Sri Dato' Seri Utama Arshad graduated with a Diploma in Agriculture from the College of Agriculture, Serdang, Selangor in 1954 and later obtained a Bachelor of Science (Honours) Economics and Statistics from University of Wales, Aberystwyth, United Kingdom in 1958. In 1964, he obtained a postgraduate Diploma in Business Administration from Management Development Institute (now IMD), Lausanne, Switzerland.

He has had a distinguished career in the Malaysian Civil Service, where he held various senior positions in various Ministries in the Malaysian Government from 1958 till 1983, including serving as Deputy Governor of Bank Negara Malaysia (1975 – 1977), Deputy Director General in the Economic Planning Unit of the Prime Minister's Department (1977 – 1978) and as Secretary General in the Ministry of Primary Industries (1978), Ministry of Agriculture (1979 – 1981) and Ministry of Land and Regional Development (1981 – 1983). He was also a Member of Justice Harun's Salaries Commission for statutory bodies.

Tan Sri Dato' Seri Utama Arshad is Chairman of the board of directors of University Malaya, Pro Chancellor of Universiti Teknologi MARA (UiTM), Chancellor of KPJ Healthcare University College (KPJUC) and Chancellor of INTI International University (INTI IU). He is a Governor of Tuanku Jaafar College, Chairman of PINTAR Foundation, Trustee of AmanahRaya Berhad Foundation, Deputy Chairman of Lembaga Pemegang Amanah Kolej Islam Malaya (LAKIM) Berdaftar, director of Lion Education Foundation, Patron of Arshad Ayub Foundation, Adviser of Yayasan Budiman (YBUiTM) and a member of Tun Razak Foundation, Pak Rashid Foundation, Lung Foundation of Malaysia and Advisor of Malaysian Malay Businessman And Industrialists Association (PERDASAMA).

Presently, Tan Sri Dato' Seri Utama Arshad sits on the board of directors of the various public listed companies, namely Malayan Flour Mills Berhad, Tomypak Holdings Berhad and Top Glove Corporation Berhad. He is also a member of the board of Bistari Johore Berhad, PFM Capital Sdn. Bhd., Ladang MOCCIS Sdn. Bhd., Zalaraz Sdn. Bhd. (a family company) and Nakagawa Rubber Industries Sdn. Bhd.

He has attended all the Board Meetings held during the financial year ended 30 June 2016. He does not have any family relationship with any Director and/or Major Shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2016. The particulars of his shareholdings are set out on page 137 of this Annual Report.

## **DATO' DR. ONG ENG LONG @ ONG SIEW CHUAN**

MALAYSIAN, MALE, AGED 72

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Dr. Ong Eng Long was appointed to the Board on 29 July 2013 as our Senior Independent Non-Executive Director and also a member of the Audit Committee and Risk Management Committee. He graduated from University of Malaya with a Bachelor of Science (Hons) Degree in 1969 and obtained a PhD from Queen Mary College, London in 1973.

He started off at the Rubber Research Institute of Malaysia ("RRIM") as a Senior Research Officer in 1973. He has held different positions in RRIM up to 1998 when it merged with two (2) other organisations to form the Malaysian Rubber Board.

He was the former Deputy Director General of the Malaysian Rubber Board from 1998 to May 2001 and the former Deputy CEO of Malaysian Rubber Export Promotion Council from 2001 to 2008.

Dato' Dr. Ong Eng Long has been the Technical Adviser for Kossan Rubber Industries Bhd. since July 2008, the Chairman of ISO/TC 157 Non-Systemic Contraceptives and STI Barrier Prophylactics since 2007 and the Chairman of ISO/TC 45 SC4 Rubber Products Other Than Hoses since 2005. ISO/TC 157 is the technical committee that is responsible for, amongst others, the international condom standards while ISO/TC 45 is responsible for, also amongst others, international rubber glove standards. He has been involved with standards development for the past two (2) decades. Dato' Dr. Ong has more than 150 publications in areas of rubber physics and latex dipped products.

Dato' Dr. Ong Eng Long is the President of both Institute of Chemistry, Malaysia and the Malaysian Rubber Product Manufacturers' Association.

He has attended four out of five Board Meetings held during the financial year ended 30 June 2016. He does not have any family relationship with any Director and/or Major Shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2016. The particulars of his shareholdings are set out on page 137 of this Annual Report.







## GOH SIANG

MALAYSIAN, MALE, AGED 66  
SENIOR EXECUTIVE DIRECTOR

Goh Siang was appointed to the Board on 30 November 2012 as our Senior Executive Director. He has over 35 years of experience in the rubber and latex industry.

Goh Siang has gained substantial amount of experience since 1976 via his engagement with the General Rubber Goods Division in Dunlop Ltd, Manchester, UK, for two (2) years. After his stint in the UK, Goh Siang joined Ban Seng Hong Sdn. Bhd. as a General Manager in 1978, where he was in charge of overseeing the production of “Standard Malaysian Rubber” and marketing function of the company.

Since 1990, Goh Siang has been with our Group. He is involved in the planning, organising and charting our Group’s direction in the manufacturing, sales and marketing of condoms and other medical disposable products worldwide; the marketing and logistic of international business transactions; and the planning and organising of latex condom and catheter manufacturing plants.

Goh Siang graduated with a Bachelor of Science Degree with Honours in Chemical Engineering and a Master of Science in Polymer Technology from the Loughborough University of Technology, UK in 1975.

He has attended all the Board Meetings held during the financial year ended 30 June 2016. Goh Leng Kian, Goh Yen Yen and Lam Jiu-an are his siblings. He has no conflict of interest with the Company and has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2016. The particulars of his shareholdings are set out on page 137 of this Annual Report.



## GOH LENG KIAN

MALAYSIAN, MALE, AGED 61

EXECUTIVE DIRECTOR, TECHNICAL AND R&D

Goh Leng Kian was appointed to the Board on 27 September 2012 as our Executive Director in Technical and Research and Development ("R&D"). His specialist experience in the condom and latex dipping industries spans over 20 years.

Goh Leng Kian's experience includes the establishment of the condom and catheter manufacturing plants, exposing him to a wide spectrum of roles including the supervision and management for the detail design, construction, installation, commissioning and testing of all related equipment, systems as well as the facilities of the projects. He also has over 30 years of experience in the rubber and latex industry.

Goh Leng Kian's career started in 1980 with Ban Seng Hong Sdn. Bhd. as a Mechanical Engineer, where he is in charge of the engineering unit for the company's rubber processing facilities. He joined our Group in 1988. He is currently responsible for overseeing our Group's manufacturing facilities, including production and technical matters. This includes the construction and development of our condom dipping lines, ET and foiling machines, R&D activities such as improving the dipping process, new automation to improve production efficiency and product quality and overall yield of the factories as well as sourcing of new packaging machinery.

Goh Leng Kian graduated with a Bachelor of Science Degree with Honours in Mechanical Engineering from the Loughborough University of Technology, UK in 1979.

He has attended all the Board Meetings held during the financial year ended 30 June 2016. Goh Siang, Goh Yen Yen and Lam Juann Juann are his siblings. He has no conflict of interest with the Company and has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2016. The particulars of his shareholdings are set out on page 137 of this Annual Report.







### **GOH YEN YEN**

MALAYSIAN, FEMALE, AGED 73  
EXECUTIVE DIRECTOR, ADMINISTRATION

Goh Yen Yen was appointed to the Board on 30 November 2012 as our Executive Director in Administration with over 20 years of experience in handling human resource, finance and administration system, internal quality auditing and also hands-on experience in budget, control and overhead cost and capital expenditure. She is a member of the Remuneration Committee.

She graduated with a Bachelor Degree of Art in Geography with Honours from the University of Malaya in 1969. Prior to joining Karex in 1996, she was a teacher in various secondary schools in Johor for 26 years.

She has attended all the Board Meetings held during the financial year ended 30 June 2016. Goh Siang, Goh Leng Kian and Lam Jiuan Jiuan are her siblings. She has no conflict of interest with the Company and has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on her by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2016. The particulars of her shareholdings are set out on page 137 of this Annual Report.

A modern interior setting with a large lamp, a wooden table, and colorful stacking stones.

## LAM JUAN JUAN

AUSTRALIAN, FEMALE, AGED 64  
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Lam Juan Juan was appointed to the Board on 30 November 2012 as our Non-Independent Non-Executive Director. She is the Chairwoman of the Risk Management Committee and a member of the Nomination Committee. She brings with her, a vast 35 years of experience from the financial and corporate management industry.

Lam Juan Juan started out in 1976, where she joined the Commercial Banking Company of Sydney, as a management trainee, where she gained a wide spectrum of retail banking experience before moving on to join Tricontinental Australia Limited in 1978. In 1979, she moved to Hong Kong and joined Toronto Dominion Bank in its Asia and Australasia Division as a Regional Credit Manager, responsible for credit approvals of banks/corporate and monitoring country limits. In 1986, she joined the Canadian Imperial Bank of Commerce for three (3) years as the Corporate Marketing Manager in charge of major public listed companies and as well as corporate company accounts. She joined Barclays Bank PLC in 1989 as a private banker and resigned in June 2015 as a Senior Banker in the bank's Wealth Investment Management Division. Subsequently, she worked in a private family office of one of the leading property developers in Hong Kong and has now retired.

She graduated with a Bachelor of Economics majoring in Accounting and Commercial Laws from the University of Sydney, Australia in 1976. She is also a Fellow of Certified Public Accountant ("CPA"), Australia as well as a member of the Hong Kong Registered Financial Planners.

She has attended four out of five Board Meetings held during the financial year ended 30 June 2016. Goh Siang, Goh Yen Yen and Goh Leng Kian are her siblings. She has no conflict of interest with the Company and has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on her by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2016. The particulars of her shareholdings are set out on page 137 of this Annual Report.



## WONG YIEN KIM

MALAYSIAN, MALE, AGED 62  
INDEPENDENT NON-EXECUTIVE DIRECTOR

Wong Yien Kim was appointed to the Board on 30 November 2012 as our Independent Non-Executive Director. He is the Chairman of the Audit Committee and a member of the Nomination Committee.

He has retired from his role as Senior General Manager Finance, of Kumpulan Perangsang Selangor Berhad ("KPS"). He was also the Vice President, Finance of Kumpulan Darul Ehsan Berhad from 1 January 2000 to 9 May 2011. In addition, between 2007 to 2013, he served as a member of the board, the audit committee and the investment committee of Taliworks Corporation Berhad. He also sits on the board of Goodway Intergrated Industries Berhad as the Independent Non-Executive Director.

Wong Yien Kim has been a member of the Malaysian Institute of Accountants and the Institute of Chartered Accountants England and Wales since 1982.

He has attended all the Board Meetings held during the financial year ended 30 June 2016. He does not have any family relationship with any Director and/or Major Shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2016.





## **LAW NGEES SONG**

MALAYSIAN, MALE, AGED 50  
INDEPENDENT NON-EXECUTIVE DIRECTOR

Law Ngee Song was appointed to the Board on 30 November 2012 as our Independent Non-Executive Director. He is the Chairman of the Nomination Committee, a member of the Audit Committee and Remuneration Committee.

He graduated from Australia National University with a Bachelor of Commerce degree and Bachelor of Laws degree in 1987 and 1989 respectively. He was admitted as Advocate and Solicitor, High Court of Malaya in 1991.

Law Ngee Song practiced as a legal assistant in Allen & Gledhill from 1991 to 1995 and was subsequently promoted to partner of the firm in 1995. He joined Nik, Saghir & Ismail in 1996 and has been a partner since.

Law Ngee Song has been on the board of directors of Evergreen Fibreboard Berhad since 2007 and has been serving as the chairman of the board since 2010. He is also a non-executive independent director of Anglo-Eastern Plantations PLC, a company listed on the London Stock Exchange.

He has attended all the Board Meetings held during the financial year ended 30 June 2016. He does not have any family relationship with any Director and/or Major Shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2016. The particulars of his shareholdings are set out on page 137 of this Annual Report.





# CEO'S PROFILE

A lamp with a beige shade and a leather armchair against a wood-paneled wall.

## **GOH MIAH KIAT**

MALAYSIAN, MALE, AGED 38  
CHIEF EXECUTIVE OFFICER

Goh Miah Kiat was appointed as our Chief Executive Officer on 29 July 2013. He became an integral part of our Group since 1999 and for over 10 years, he has been overseeing the marketing and logistics, international business dealings, brand development and coordination activities. He is a member of the Risk Management Committee.

Goh Miah Kiat has been acting as a representative of Malaysia in TC 157 (the technical committee for the standardisation of non-systemic contraceptives and STI barrier prophylactics) since year 2000.

Throughout his career, Goh Miah Kiat has actively contributed to the development and promotion of condoms in Malaysia. He played a part in the development of the following:

1. Global Condom Standard, ISO 4074;
2. MS ISO 16037:2010 in association with SIRIM, Malaysia; and
3. ISCR/TC 8 - Non Systematic Contraceptives and STI Barrier Prophylactics that contributed the development of the Malaysian Condom Standard

Goh Miah Kiat graduated with a Bachelor's Degree in Economics and Management from the University of Sydney in 1999. He is currently a member of the Board of Trustee, member of the Marketing Committee and member of the Scholarship Committee in the Malaysian Rubber Export Promotional Council.

He is the nephew of Goh Siang, Goh Yen Yen, Goh Leng Kian and Lam Jiuan Jiuan, the Board members of the Company. He has no conflict of interest with the Company and has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2016. The particulars of his shareholdings are set out on page 138 of this Annual Report.





**Carex**<sup>®</sup>

CLASSIC  
COMFORT



**12** CONDOMS

## **THIRUMAL SENTHILKUMAR**

INDIAN, MALE, AGED 47  
CHIEF OPERATIONS OFFICER

Thirumal Senthilkumar was appointed as our Chief Operations Officer on August 2015. He holds a Master of Science in Organic Chemistry from Annamalai University, India, and has since graduating in 1993. He began his career with TTK-LIG Limited, a condom manufacturer in India and has since accumulated over 22 years of international condom manufacturing experience. Senthil has in-depth knowledge and experience in SPC, Six Sigma and LEAN Manufacturing practices.

He was in charge of the technical support, quality controls and regulatory planning as the Quality Assurance and Technical Manager at Ansell Limited in 2002 prior to joining our Group in 2011. Since joining Karex, he managed our operations in Hat Yai, Thailand as the General Manager of Innolatex Thailand Limited before being appointed to his current post in charge of our Group's manufacturing operations.

He does not have any family relationship with any Director and/or Major Shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2016.



# PROFILE OF KEY MANAGEMENT

**GOH CHOK SIANG**

MALAYSIAN, MALE, AGED 45  
CHIEF FINANCIAL OFFICER

Goh Chok Siang was appointed as our Chief Financial Officer in April 2013. He obtained his professional qualification from the Association of Chartered Certified Accountants and has been a Chartered Accountant with the Malaysian Institute of Accountants since 1999. He is a member of the Risk Management Committee.

He has over 20 years of experience in overseeing a variety of finance functions and served as Lion Group's Chief Accountant in 2007 where he was responsible for, amongst others, corporate exercises and financial reporting. He was also a Director in Wong Chau Hwa & Co, a public accounting firm where he was involved in strategy and business development prior to joining Karex.

He does not have any family relationship with any Director and/or Major Shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2016.



**LEONG WENG HONG**

MALAYSIAN, MALE, AGED 43  
CHIEF HUMAN RESOURCES OFFICER

Leong Weng Hong was appointed as our Chief Human Resources Officer in April 2015. He holds a Bachelor of Commerce Degree from Curtin University of Technology, Perth, Australia. He has over 20 years of experience in human resource management including management roles and functions in project start-ups, regional and global HR services hubs in various countries.

Following his graduation in 1994, he started his career with Public Bank. Prior to joining Karex, he was with Bechtel Group, Inc for 17 years. He served in their pioneer Kuala Lumpur office before embarking on international assignments in China, USA, UK, Chile, Australia and Canada over the next 14 years.

He does not have any family relationship with any Director and/or Major Shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2016.



**GOH YIN**

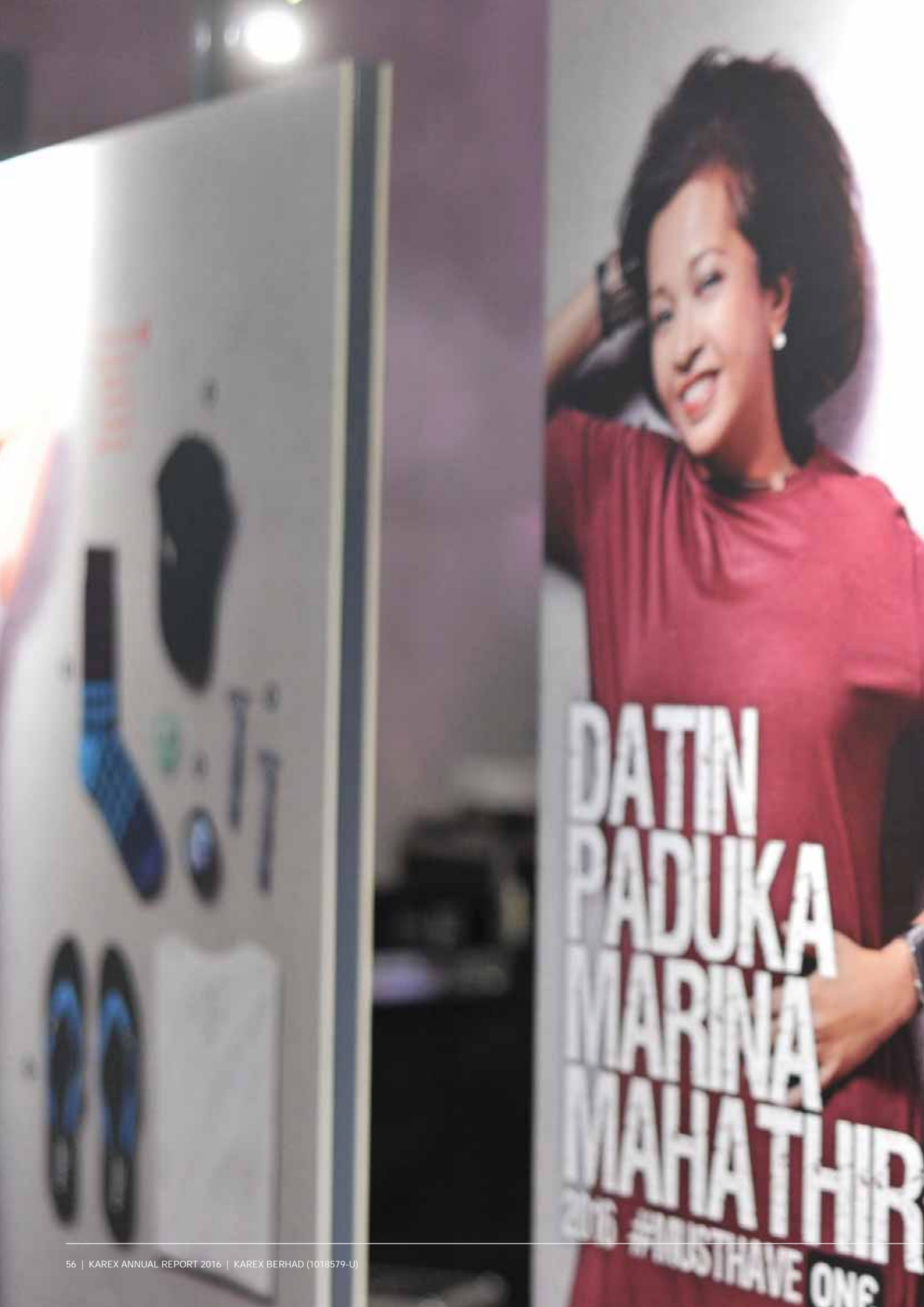
MALAYSIAN, FEMALE, AGED 68  
GROUP QUALITY ASSURANCE DIRECTOR

Goh Yin has managed the quality assurance and quality control departments of our Group since 1998. She graduated with a Bachelor of Science in Chemistry and a Diploma in Education from the University of Otago, New Zealand in 1975.

She is also a qualified Lead Auditor responsible for carrying out system audits for our Group as well as the Quality Management Representative of our Group. Prior to joining Karex, Goh Yin taught in various secondary schools in Johor following her graduation since 1976.

Goh Siang, Goh Yen Yen, Goh Leng Kian and Lam Jiuan Jiuan are her siblings and are all Board members of Karex. She has no conflict of interest with the Company and has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on her by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2016.





**DATIN  
PADUKA  
MARINA  
MAHATHIR**  
2016 #MUSTHAVE ONE



'S

This saves lives.  
MALARIA and STDs  
need to be in  
conversations  
that affects everyone,  
leaving the ground



JUST A

# STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors (the “Board”) of Karex Berhad (“Karex” or the “Company”) continued to apply the principles and the best practices prescribed in the Malaysian Code on Corporate Governance 2012 (the “Code”) in managing and directing the board matters and business of the Group. The Board believes that good corporate governance would result in sustainable long term growth, stronger safeguard of the interest of all stakeholders, and enhancement of shareholders’ value as well as the Group’s financial performance.

## BOARD OF DIRECTORS

It is the overall governance responsibilities of the Board to lead and control the Group. The Board plans the strategic direction, development and control of the Group and has embraced the responsibilities listed in the Code for effective discharge of the Board’s stewardship and fiduciary responsibilities. The Executive Directors and Chief Executive Officer (“CEO”) are responsible for making and implementing operational and corporate decisions while the Non-Executive Directors balance the board accountability by providing their independent views, advice and judgment in safeguarding the interests of the shareholders. The CEO informs the Board for matters which may materially affect the Company and its business.

There is a clear division of responsibilities between the Chairman, Executive Directors and CEO to ensure that there is a continued balance of power and authority. The Chairman position is held by an Independent Non-Executive Director. The Chairman is responsible for the board effectiveness and conduct whilst the Executive Directors and CEO have the overall responsibilities over the Group’s operating units, organisational effectiveness and implementation of Board policies and decisions.

The Board has set the management authority limit and retained its authority of approval on significant matters. The Board has also formalised its responsibilities and functions as well as the division of responsibilities and powers between the Board, Management and Board Committees in its Board Charter. This Board Charter also provides a basis to the Board in assessing its own performance and that of its individual directors. Key matters such as approval of annual and interim results, acquisitions and

disposals, as well as material agreements are reserved for the Board, while a capable and experienced management team is put in charge to oversee the day-to-day operations of the Company.

There are various board policies recommended in the Code. The Board had formalised its policies on Code of Ethics, Disclosure, Evaluation of External Auditors, Diversity, Whistle Blowing, Management Succession and Board’s Schedule of Matters for governing the functionality of Board proceedings. These board policies are available on the corporate website.

During the financial year, the Board spent significant amount of time and focus on the following main groups of issues:

- i. Compliance matters comprising the review of the financial statements and disclosures, related party transactions, Board governance agenda and audit matters;
- ii. New business expansion and acquisitions covering the considerations and impacts of the pre and post-acquisitions of these new businesses in the Group; and
- iii. Corporate finance matters for issuance of shares.

In deliberating the issues in these subject matters, shareholder interest and value are always the priority of the Board. The Board’s aim is to constantly ensure shareholders benefit from the corporate and business initiatives undertaken by the Group and management.

## BOARD COMPOSITION AND COMMITTEES

The present composition of the Board includes sufficient number of independent, executive and non-executive directors as prescribed by the requirements of paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“MMLR”). Presently, the Board has eight (8) members comprising three (3) Executive Directors, four (4) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The Board’s composition complies with the MMLR which requires one-third of Board members to be independent directors to reflect fairly the interests of the minority shareholders of the Company. The Board members have diverse backgrounds and experiences in various fields. Collectively, they bring a broad range of skills, experience and knowledge to direct and manage the Group’s businesses.

The Board recognises the importance of gender diversity. Presently, the Board has two (2) female members, which makes up of one quarter (1/4) of the Board composition. Descriptions of the background of each director are presented on pages 32 to 47 and published on the corporate website [www.karex.com.my](http://www.karex.com.my) for shareholders’ reference.

The Board has delegated specific responsibilities to the respective committees of the Board namely the Audit Committee, Risk Management Committee, Nomination Committee and Remuneration Committee. These Board Committees deliberate and examine issues in accordance to their terms of reference and report to the Board on significant matters that require the Board’s attention and approval.

### AUDIT COMMITTEE (“AC”)

The AC comprises solely Independent Non-Executive Directors. The responsibilities, composition and summary of work of the AC are outlined in the Audit Committee Report on pages 67 and 68.

### RISK MANAGEMENT COMMITTEE (“RMC”)

The Board recognises the importance of maintaining a sound and effective risk management framework to safeguard the shareholders’ investment and Group’s asset. The RMC is established to assist the Board to oversee the implementation of risk management framework in the Group. The RMC is responsible for identifying, evaluating, monitoring and managing risks relating to the operating and business management processes. The members of the RMC are as follows:

Chairwoman : Lam Juan Juan  
Member : Dato’ Dr. Ong Eng Long @ Ong Siew Chuan  
Member : Goh Miah Kiat  
Member : Goh Chok Siang

## NOMINATION COMMITTEE (“NC”)

Primarily, the NC is established and maintained to ensure that there are formal and transparent procedures for the appointment of new directors to the Board and for the performance appraisal of directors. The members of the NC are as follows:

Chairman: Law Ngee Song  
Member : Wong Yien Kim  
Member : Lam Juan Juan

The Board recognises the value of appointing individual Directors who bring a variety of diverse opinions, perspectives, skills, experiences, backgrounds and orientations to its discussions and its decision-making processes. The Board, through the NC, establishes criteria to ensure board composition and diversity with the right mix of knowledge, skills, competencies and gender. The NC is responsible for reviewing and making recommendation of any appointments to the Board for approval based on the size of the Board, the mix of skills and experiences and other qualities of the candidates. The NC assists the Board in reviewing the composition of the board members annually and ensures that the current composition of the board functions competently.

The Board recognises the importance of succession planning in building long-term sustainable performance excellence. The NC will assess and recommend candidates to the Board based on the Terms of Reference. The NC will also discuss with the Board to ensure that the candidates appointed or employed are of sufficient calibre.

The NC conducted meetings on 27 May 2016 and 29 August 2016 respectively to review:

- i. the directors performance appraisals; and
- ii. the re-election and re-appointment of retiring directors.

### REMUNERATION COMMITTEE (“RC”)

The RC is responsible for reviewing and recommending to the Board the remuneration policy and remuneration packages of Directors. The members of the RC are as follows:

Chairman: Tan Sri Dato’ Seri Utama Arshad bin Ayub  
Member : Law Ngee Song  
Member : Goh Yen Yen

The Board has defined its remuneration in the Board Charter. Principally, the remuneration packages of the Company’s Executive and Non-Executive Directors are determined by the Board as a whole. The respective Directors shall abstain from participating in the decision making in respect of his or her remuneration.

# STATEMENT ON CORPORATE GOVERNANCE

During the financial year, one (1) RC meeting was held on 25 August 2015 to review and recommend the adjustment of directors' remunerations and fees for the Board and shareholders' approval respectively.

## RE-ELECTION OF DIRECTORS

The Company's Articles of Association also provides that at least one-third (1/3) of the Directors shall retire by rotation at each Annual General Meeting and that all Directors shall retire once in every three (3) years. A retiring Director shall be eligible for re-election by shareholders at the immediate Annual General Meeting.

Directors who are above seventy (70) years of age are required to offer themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

## THE COMPANY SECRETARY

All Board members have unrestricted access to the advice and services of the Company Secretary for the purpose of the Board's affairs and the business. The appointment and removal of Company Secretary or Secretaries of the Board shall be the prerogative of the Board as a whole. The Company Secretary appointed should be suitably qualified and competent in order to support the Board in carrying out its role and responsibilities.

The Company Secretary is responsible for ensuring that Board procedures are followed, the applicable rules and regulations for the conduct of the affairs of the Board are complied with and all matters associated with the maintenance of the Board are performed effectively.

In addition, the Company Secretary ensures minutes are duly entered into the books for all resolutions and proceedings of all meetings of the Board. These minutes of meetings record the decisions taken and the views of individual Board members. Such minutes are signed by Chairman of the meeting at which the proceedings are held or by the Chairman of the next succeeding meeting.

## SUPPLY OF INFORMATION

The agenda for Board meetings and the relevant reports and information for the Board's consideration are forwarded to all members prior to the Board meetings. Management is invited to provide further information and clarification on issues raised by the Board members during the Board deliberations and decision makings in the meetings.

The Board has unrestricted and timely access to all information necessary for the discharge of its responsibilities. All Directors also have access to the services and advice of management staff and other independent professionals, at the expense of the Group in the discharge of their duties.

## BOARD INDEPENDENCE

Independence is important for ensuring objectivity and fairness in board's decision making. All Independent Directors of the Board comply with the criteria of 'independent directors' as prescribed in MMLR.

The roles and responsibilities of the Chairman and Executive Directors are separated and the Chairman of the Board is an Independent Director.

The Board had identified Dato' Dr. Ong Eng Long @ Ong Siew Chuan as the Senior Independent Director to provide shareholders with an alternative to convey their concerns and seek clarifications from the Board. This channel of communication also complements the Group's policies on whistleblowing and code of ethics.

The Board has adopted the following practices of the Code in order to uphold independence of Independent Directors :-

- i. Subject to Board justification and shareholders' approval, tenure of Independent Directors should not exceed a cumulative term of nine (9) years; and
- ii. Assessment of independence of its Independent Directors focusing on events that would affect the ability of Independent Directors to continue bringing independent and objective judgment to board deliberation and the regulatory definition of Independent Directors.

An Independent Director may continue to serve the Board subject to re-designation of the Independent Director as a Non-Independent Director. In the event the Board intends to retain the Independent Director as an Independent Director after servicing a cumulative term of nine (9) years, the Board will provide justification for its decision and seek shareholders' approval. For the financial year under review, none of the current Independent Directors have served the Company for more than nine (9) years cumulatively.

The Board is satisfied with the level of independence demonstrated by the Independent Directors and their ability to act in the best interest of the Company and/or the Group as all of the Independent Directors have satisfactorily demonstrated that they are independent from management and free from any business or other relationship with the Group that could materially affect or interfere with the exercise of objective and independent judgement to act in the best interest of the Group.

## BOARD COMMITMENT

The underlying factors of Directors' commitment to the Group are devotion of time and continuous improvement of knowledge and skill sets.

The Board meets at least every quarter and on other occasions, as and when necessary, to inter-alia approve quarterly financial results, statutory financial statements, the Annual Report, business plans, acquisition and expansion as well as to review the performance of the company and its operating subsidiaries, governance matters and other business development matters. Board papers are circulated to the Board members prior to the Board meetings so as to provide the Directors with relevant and timely information in order to enable them to conduct proper deliberation on board issues and to discharge their responsibilities with reasonable due care, skills and diligence. Individual members of the Board are required to inform the Board before accepting new appointment and to communicate the time he/she expects to spend of the new appointment.

During the financial year, five (5) Board meetings were held. Except for Dato' Dr. Ong Eng Long @ Ong Siew Chuan and Madam Lam Juan Juan (who had attended four out of the five board meetings), other Board members had attended all the meetings.

The Directors recognise the needs to attend training to enable them to discharge their duties effectively. The training needs of each Director would be identified and proposed by the individual Directors or NC.

All Directors have completed the Mandatory Accreditation Program as required by Bursa Securities.

Following are the trainings attended by Directors during the financial year:

DIRECTOR	TRAINING ATTENDED
Tan Sri Dato' Seri Utama Arshad bin Ayub	<ul style="list-style-type: none"> <li>Board Chairman Series Part 2 : Leadership Excellence from the Chair @ BSKL</li> <li>Board Chairman Series : Tone from the Chair and Establishing Boundaries @ BSKL</li> <li>CG Breakfast Series with Directors Future of Auditor Reporting @ BSKL</li> </ul>

DIRECTOR	TRAINING ATTENDED
Dato' Dr. Ong Eng Long @ Ong Siew Chuan	<ul style="list-style-type: none"> <li>The 32nd Meeting of ISO/TC 157 on Non-Systemic Contraceptives and STI Barrier Prophylactics</li> <li>The 4th Federation of Asian Polymer Societies-International Polymer Congress</li> <li>The 3rd Global Rubber, Latex &amp; Tire Expo 2016</li> </ul>
Goh Siang	<ul style="list-style-type: none"> <li>Ring the bell for Gender Equality</li> </ul>
Goh Leng Kian	<ul style="list-style-type: none"> <li>Ring the bell for Gender Equality</li> </ul>
Goh Yen Yen	<ul style="list-style-type: none"> <li>Ring the bell for Gender Equality</li> </ul>
Lam Juan Juan	<ul style="list-style-type: none"> <li>Company Townhall - Topics: Innovate for Growth and Sustainable Innovation</li> <li>Lateral Thinking</li> <li>Performance Appraisal System</li> <li>Adding Value through innovative designs</li> <li>HK Competition Ordinance update and training</li> <li>DBS Bank 1H 2016 Investment Outlook</li> <li>Internal Control Highlights and update</li> <li>Company Townhall – Integrity and Business Success</li> <li>Credit Suisse -19th Annual Asian Investment Conference April 5 - 8/2016</li> <li>Withers- US property Tax and structure presentation - in house</li> </ul>
Wong Yien Kim	<ul style="list-style-type: none"> <li>Corporate Board Leadership Symposium 2015</li> </ul>
Law Ngee Song	<ul style="list-style-type: none"> <li>How to maximise Internal Audit organised by Bursa Malaysia</li> <li>Boards Rewards and Recognition organised by Malaysian Directors Academy</li> <li>Sustainability Engagement Series for Directors organised by Insead/Bursa Malaysia</li> <li>Companies Bill 2015 organised by Malaysian Institute of Accountants</li> </ul>

## STATEMENT ON CORPORATE GOVERNANCE

The Company Secretary regularly updates the relevant guidelines on statutory and regulatory requirements from time to time for the Board's reference and briefs the Board quarterly on these updates, where applicable, at Board meetings. The External Auditors also briefed the Board members on any changes to the Malaysian Financial Reporting Standards that would affect the Group's financial statements during the financial year under review. The Directors will continue to undergo relevant training programmes to further enhance their skills and knowledge in the discharge of their stewardship role.

### DIRECTORS' REMUNERATION

Executive Directors are remunerated based on the Group's performance, market conditions and their responsibilities whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience and level of responsibilities assumed in committees and the board.

The aggregate remuneration of the Directors for the year ended 30 June 2016 is as follows:-

	GROUP		COMPANY
	EXECUTIVE DIRECTOR (RM'000)	NON-EXECUTIVE DIRECTOR (RM'000)	NON-EXECUTIVE DIRECTOR (RM'000)
Salaries, Bonus, EPF, Others	1,629	-	-
Fees	-	410	410
Other Emoluments	53	-	-
Total	1,682	410	410

The number of Directors whose income falls within the following bands is set out as follows:

	GROUP		COMPANY
REMUNERATION BAND (RM)	EXECUTIVE DIRECTOR	NON-EXECUTIVE DIRECTOR	NON-EXECUTIVE DIRECTOR
50,000 and below	-	-	-
50,001 to 100,000	-	4	4
100,001 to 150,000	-	1	1
150,001 to 350,000	-	-	-
350,001 to 400,000	1	-	-
400,001 to 600,000	-	-	-
600,001 to 650,000	1	-	-
650,001 to 700,000	1	-	-

### FINANCIAL REPORTING

The Board is responsible to ensure that the quarterly financial reporting and announcements of the Company present a true and fair view and assessment of the Group's financial position, performance and prospects. The Board ensures that the Group's financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards. The Board is assisted by the Audit Committee in reviewing and scrutinising the information disclosed and ensuring the Group's financial statements comply with applicable financial reporting standards.

Prior to the commencement of the external audit engagement, the External Auditors present their Audit Plan to the Audit Committee whereby the engagement and reporting requirements, audit approach, significant events, areas of audit emphasis, communication with management, engagement team, reporting deliverables and the proposed fees are tabled to the Audit Committee for review. The Audit Committee would convene meetings with the External Auditors without the presence of the Executive Directors and employees of the Group as and when necessary. As part of the audit engagement, the external auditors presented the Audit Findings to the Audit Committee on the significant audit areas, deficiencies in internal control and status of the audit.

As part of the Audit Committee review processes, the Audit Committee has obtained assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

The Board has defined its policy on suitability and independence of external auditors during the financial year. In accordance to this policy the Audit Committee will review the qualification, audit performance and execution, provision of non-audit service and tenure of service of the External Auditors. Annually, the Audit Committee also reviews the appointment, performance and remuneration of the External Auditors before recommending them to the shareholders for re-appointment in the AGM.

Messrs KPMG, the existing External Auditors of the Company, has in place policy on rotation for partners of an audit engagement to ensure objectivity, independence and integrity of the audit. The External Auditors have declared their independence to the Group and their compliance with By-Laws (on professional ethics, conduct and independence) of the Malaysian Institute of Accountants.

## RISK MANAGEMENT

The Board acknowledges that a sound risk management framework is an integral part of good management practices. Risk is inherent in all business activities. The risk management objective of the Board is to ensure that there are structural means to identify, prioritise and manage the risks involved in all the Group's activities and to balance between the cost of managing and treating risks, and the anticipated benefits that will be derived from.

Management meetings are called and used by the Executive Directors and CEO as a means of communication and feedback channel which facilitate whistleblowing apart from reviewing, monitoring and deciding on the business development, changes and actions to ensure businesses are under control, at these meetings.

The Board is assisted by the Risk Management Committee to ensure the risk and control framework is embedded into the culture, processes and structures of the Group. In addition, the Board has established an internal audit function which is currently outsourced to a professional firm. Functionally, the Internal Auditors report to the Audit Committee directly and they are responsible for conducting reviews and appraisals of the effectiveness of the governance, risk management and internal controls and processes within the Group. Further details of the Group's state of risk management and internal control systems are reported in the Statement on Risk Management and Internal Control on pages 70 and 71.

## CORPORATE DISCLOSURE

Corporate disclosure and information are important for investors and shareholders. The Board is advised by the management, the Company Secretaries and the External and Internal Auditors on the contents and timing of disclosure requirements of the MMLR on the financial results and various announcements. The management is invited to attend the Board and Audit Committee meetings and to provide explanations to the Board on the operations of the Group.

The Group leverages on its corporate website to disseminate and add depth to its communication with the public. News alert feature in the website is available for the public community. The board charter was formalised and published on its present corporate website.

## SUSTAINABILITY

Promoting sustainability is part of the corporate responsibilities of the Group. The Board requires its business units to promote appropriate environmentally friendly practices in the Group

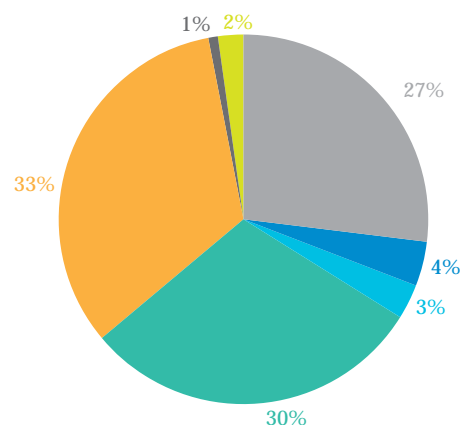
within business, industry and regulatory environment in which the Group's businesses operate in. The Group has completed the first largest green condom manufacturing facility in the world. The Group has completed various CSR programmes and campaigns as disclosed in CEO' statement on page 26.

## WORKPLACE DIVERSITY

Diversity is important for our strategy in ensuring sustainable business success. The Board and management are committed to embrace diversity at workplace by providing equal employment opportunities to employees regardless of their age, gender and ethnicity in all our subsidiaries in Malaysia, Thailand, Hong Kong, Spain, USA and UK.

We have further illustrated below the composition of the ethnicity, age and gender of our workforce, excluding Board members as at 30 September 2016.

### A) Employee's Ethnicity Composition



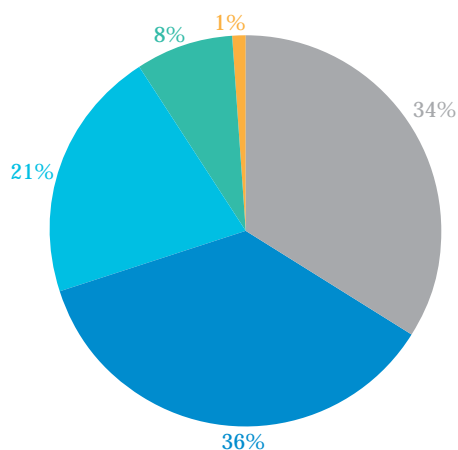
Diversity	Total Number
Malay	599
Chinese	78
Indian	68
Thai*	672
Other foreign workers	736
US workers**	29
Others	37
Total	2,219

\* From a foreign subsidiary

\*\* The Equal Employment Opportunity laws in the US prohibits discrimination in certain workplaces in terms of age, race, colour, religion and national origin. Therefore, our office in the US does not keep this information.

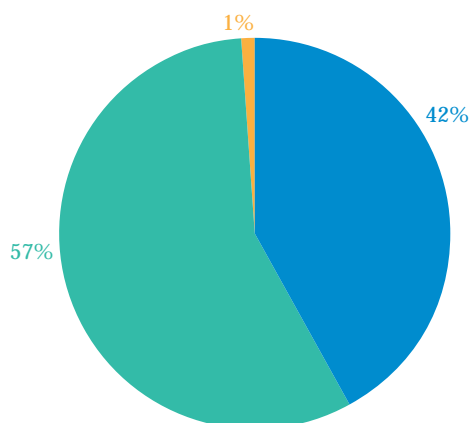
## STATEMENT ON CORPORATE GOVERNANCE

### B) Employee's Age Group Composition



Age Group	Total Number
30 years and below	742
30 – 40 years	795
41-50 years	471
50 years and above	182
US workers**	29
Total	2,219

### C) Employee's Gender Composition



Gender	Total Number
Male	921
Female	1,269
US workers**	29
Total	2,219

\*\* The Equal Employment Opportunity laws in the US prohibits discrimination in certain workplaces in terms of age, race, colour, religion and national origin. Therefore, our office in the US does not keep this information.

### SHAREHOLDERS' RIGHT

Transparency and accountability are important in communication of the Group's performance and major developments with the Company's shareholders, stakeholders and investors. Accordingly, the Board ensures that there is timely release of quarterly financial results, circulars, Annual Reports, corporate announcement and press releases. In addition to the various announcements made during the period, information on the Company is available on the Company's website at [www.karex.com.my](http://www.karex.com.my). The Board would also respond to meetings with institutional shareholders, analysts and members of the press to convey information regarding the Group's performance and strategic direction as and when requested.

General meetings are an important avenue through which shareholders can exercise their rights. The Board would ensure suitability of venue and timing, effective publicity of general meeting event, the quality of the annual report as well as timely mailing of the Notice of Meeting of the AGM. In line with the recent amendments to the Paragraph 8.29A(1) of the MMLR, the Company will implement poll voting for all the resolutions set out in the Notice of AGM at the AGM. In addition, the Company will appoint an independent scrutineer to validate the votes cast at the AGM.

### COMPLIANCE STATEMENT

The Board has taken steps to ensure that the Group has implemented as far as possible the Principles and Recommendations of the Code in all material aspects, save as disclosed therein.

This statement is made in accordance with a resolution of the Board dated 14 October 2016.

# ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in accordance with Paragraph 9.25 of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad as set out in Appendix 9C for the financial year ended 30 June 2016, unless otherwise stated:

## 1. UTILISATION OF PROCEEDS

### Public Issue

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

PURPOSES	PROPOSED UTILISATION RM'000	ACTUAL UTILISATION RM'000	DEVIATIONS RM'000	RE- ALLOCATION 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	74,925	(74,925)	–	–	–	

### **Note:**

- <sup>(1)</sup> The proposed utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus dated 11 October 2013.
- <sup>(2)</sup> 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.
- <sup>(3)</sup> 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.

## ADDITIONAL COMPLIANCE INFORMATION

### Private Issue

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 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	157,950	(120,730)	–	37,220	

### Note:

- <sup>(1)</sup> The proposed utilisation of proceeds as disclosed above should be read in conjunction with the announcement of the CIMB on 26 February 2015.
- <sup>(2)</sup> 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.

## 2. NON-AUDIT FEES

The amount of audit and non-audit fees paid to external auditors and their affiliates by the Group and the Company respectively for the financial year are as follows:

	GROUP RM'000	COMPANY RM'000
Fees paid to external auditors and their affiliates		
Audit fees	353	80
Non-audit fees	278	–

Non-audit fees are paid for financial due diligence assistances for acquisitions, agreed upon procedures for bonus issues, and other services. Services rendered by external auditors are not prohibited by regulatory and other professional requirements, and are based on globally practiced guidelines on auditors' independence.

## 3. VARIATION OF RESULTS

The audited financial results for the financial year ended 30 June 2016 did not differ by 10% or more from the unaudited full financial year's results previously announced on 30 August 2016 to Bursa Securities.

## 4. MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

There was no material contract entered into by the Company and/or its subsidiaries involving Directors and Major Shareholders interests subsisting as at 30 June 2016.

## 5. RECURRENT RELATED PARTY TRANSACTIONS

The recurrent related party transaction of revenue nature incurred by the Group for the financial year did not exceed the threshold prescribed under Paragraph 10.09(1) of the MMLR.

# AUDIT COMMITTEE REPORT

The Board of Directors of Karex Berhad (the “Board”) is pleased to present the Audit Committee Report for the financial year ended 30 June 2016.

## COMPOSITION AND MEETINGS

As at the date of this Annual Report, the Audit Committee (“AC”) comprises four (4) Directors as follows:

### Chairman

Wong Yien Kim - Independent Non-Executive Director

### Members

Tan Sri Dato’ Seri Utama Arshad bin Ayub - Independent Non-Executive Director

Dato’ Dr. Ong Eng Long @ Ong Siew Chuan – Senior Independent Non-Executive Director

Law Ngee Song - Independent Non-Executive Director

The AC met five (5) times during the financial year ended 30 June 2016 and the details of their attendance are as follows:

NAME OF DIRECTOR	ATTENDANCE
Wong Yien Kim – Chairman <i>Independent Non-Executive Director</i>	5/5
Tan Sri Dato’ Seri Utama Arshad Bin Ayub – Member <i>Independent Non-Executive Director</i>	5/5
Dato’ Dr Ong Eng Long @ Ong Siew Chuan – Member <i>Senior Independent Non-Executive Director</i>	4/5
Law Ngee Song – Member <i>Independent Non-Executive Director</i>	5/5

The AC Chairman, Wong Yien Kim, is a fellow member of the Malaysian Institute of Accountants and the Institute of Chartered Accountants England and Wales. Accordingly, the Company complies with Paragraph 15.09(1)(c)(ii)(bb) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”).

The Board assesses the performance of the AC and its members through an annual Board Committee effectiveness evaluation and is satisfied that they are able to discharge their functions, duties and responsibilities in accordance with the Terms of Reference of the AC which are available on Karex’s website, thereby supporting the Board in ensuring appropriate Corporate Governance Standards within the Group.

Details of the members of the AC are contained in the Profile of Directors as set out on pages 32 to 47 of this Annual Report.

## TERMS OF REFERENCE

The terms of reference of the Audit Committee is available on the corporate website of the Company at [www.karex.com.my](http://www.karex.com.my).

The Board of Directors is satisfied that the Audit Committee and its members have discharged their responsibilities during the financial year in accordance with the terms of reference of the Audit Committee.

## SUMMARY OF WORK OF THE AUDIT COMMITTEE

The work carried out by the AC in discharging its duties and functions with respect to their responsibilities during the financial period were summarised as follows:

### **Ensuring Financial Statements Comply with Applicable Financial Reporting Standards:**

- Reviewed the financial positions, unaudited quarterly interim financial reports and announcements for the respective financial quarters prior to submission to the Board for consideration and approval. The review is to ensure that the Company’s unaudited quarterly financial reporting and disclosures present a true and fair view of the Group’s financial position and performance and are in compliance with the Malaysian Financial Reporting Standard 134 - Interim Financial Reporting Standards in Malaysia and International Accounting Standards 34 - Interim Financial Reporting as well as applicable disclosure provisions of the MMLR;

# AUDIT COMMITTEE REPORT

- (b) Reviewed the audited financial statements and the External Auditors' findings and recommendations for the financial year ended 30 June 2016. In the review of the annual audited financial statements, the AC had discussed with Management and the External Auditors the accounting principles and standards that were applied and their judgement of the items that may affect the financial statements as well as issues and reservations arising from the statutory audit; and
- (c) Reviewed any changes in the implementation of major accounting policies and practices to the Group.

## **Reviewing the Audit Findings of the External Auditors and Assessing their Performance, Suitability and Independence of External Auditors:**

- (a) Reviewed the audit plan of the External Auditors in terms of their scope of audit, methodology and timetable, audit materiality, areas of focus prior to the commencement of their annual audit;
- (b) Reviewed and discussed the External Auditors' audit report and areas of concern highlighted in the management letter, including management's response to the concerns raised by the external auditors, and evaluation of the system of internal controls;
- (c) Met the External Auditors without the presence of executive board members and management personnel to further discuss matters arising from audit; and
- (d) Considered the re-appointment of External Auditors and their audit fees, after taking into consideration of the independence and objectivity of the External Auditors and the cost effectiveness of their audit, before recommending to the Board for approval.

## **Overseeing the Governance Practices in the Group:**

- (a) Reviewed the AC Report and Statement on Risk Management and Internal Control before recommending to the Board for their approval for inclusion in the Annual Report;
- (b) Reviewed the related party transactions to ensure that they were not detrimental to the interests of the minority shareholders;
- (c) Reviewed the adequacy and effectiveness of the Group's risk management and internal control system and reported to the Board;
- (d) Reviewed the board policies on Code of Ethics, Disclosure, Assessment and Remuneration of Directors, Evaluation of External Auditors, Diversity, Whistle Blowing, Management Succession and Board's Schedule of Matters; and

- (e) Assessed the assistance given by the employees of the Group to the External Auditors and Internal Auditors.

## **Reviewing the Audit Findings of the Internal Auditors and Assisting the Board in Reviewing the Effectiveness and Adequacy of Systems of Internal Control in the Key Operation Processes:**

- (a) Reviewed and approved the internal audit plan;
- (b) Reviewed and discussed the internal audit reports which outlined the recommendations towards correcting areas of weaknesses and ensured that there were management action plans established for the implementation of the Internal Auditors' recommendations. The responsible member of management was invited to attend the AC meeting to provide clarification on specific issues raised in the internal auditor reports. Summary of internal audit reports presented to the AC provided status updates for management action plans to address the findings reported in the previous audit cycles;
- (c) Reviewed the adequacy of the scope, functions and competency of the internal audit function, and the results of the internal audit process to ensure the appropriate actions are taken of the recommendations of the internal audit function; and
- (d) Reviewed the risk management and internal controls of newly acquired subsidiaries with the assistance from management and Internal Auditor. Deliberated areas needed for improvement, streamlining and standardisation between the newly acquired subsidiaries and the Group practices.

## **INTERNAL AUDIT FUNCTION**

The Group's internal audit function is outsourced to an independent professional firm named IA Essential Sdn. Bhd. to assist the AC in discharging its duties and responsibilities in respect of reviewing the adequacy and effectiveness of the Group's risk management and internal control systems.

The role of the internal audit functions is independent and not related to the Group's External Auditors. During the financial year ended 30 June 2016, the Internal Auditors had reported to the AC every quarter on the audit findings and areas of improvement for the internal control system of the key business functions and processes. Copies of all the internal audit reports for areas of review were also issued to the respective heads of management for their reference and further action. The Internal Auditors also conducted follow up audits with management to ensure that the agreed audit recommendations are implemented.

The fee accrued for internal audit function of the Group for the financial year ended 30 June 2016 was RM80,000.

This report is made in accordance with the resolution of the Board dated 14 October 2016.

# STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are required by the Companies Act, 1965 ("Act") to prepare the financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Company and the financial performance and cash flows for the year ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Act in Malaysia.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of the Group and of the Company to enable them to ensure that the financial statements are drawn up in accordance with the provisions of the Act.

In preparing the financial statements for the year ended 30 June 2016, the Directors have:

- adopted suitable accounting policies and then applied them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed, subject to any material departure and explained in the financial statements; and
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company to prevent and detect fraud and other irregularities.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors (the “Board”) is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 30 June 2016. This Statement is prepared pursuant to paragraph 15.26(b) of the Main Market Listing Requirements and is guided by the “Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers” (the “Guideline”) endorsed by Bursa Malaysia Securities Berhad (“Bursa Securities”).

## BOARD’S RESPONSIBILITY

The Board acknowledges their responsibility to maintain a sound and effective risk management framework and internal control systems in order to safeguard the shareholders’ investment and Group’s assets. The Board also understands the principal risks of the business that the Group is engaged in and accepts that business decisions require the balancing of risk and return in order to maximise return to the shareholders.

Principally, the Guideline suggests the Board to:

- Embed risk management in all aspects of the Group’s activities, which also encompasses subsidiaries of the Company; and
- Review risk management framework, processes, responsibilities and assess whether the present policies and systems provide reasonable assurance that risk is managed appropriately.

## RISK MANAGEMENT AND INTERNAL CONTROLS

Whilst, the Board oversees and reviews the conduct of the Group’s business, the Group’s risk management is driven by Executive Directors, Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”) and senior management of the Group. These executives and management are responsible for identifying, evaluating, monitoring and managing risks and have embedded these risk management processes as part of their operating and business management processes.

The Group has established Risk Management Committee comprising two members of the Board, CEO and CFO. Being the members of the Risk Management Committee, the CEO and CFO constantly brief the Board with information on strategic corporate matters and highlight risks and challenges relating to these strategies. When acquiring new businesses during the financial year, the Board was provided with details of these strategic acquisitions for consideration. The Board reviewed the information and guided management by sharing their concerns and provided their advice accordingly.

At the operational level, the CEO and the key senior management conduct management meetings to review the business and operation performance and achievement of targets. Thereafter, the key senior management communicated the decisions and expectations from the CEO to align management as well as monitor and enforce controls at the operation level in order to meet the set targets.

The key subsidiaries of the Group continue to be certified under the ISO 9001:2008 and ISO13485:2003 Quality Management Systems and ISO14001 Environmental Management System. These management systems form the basis for operational procedures in ensuring the consistency in the production processes. Furthermore, internal quality audits and independent surveillance audits are conducted by external certification bodies to ensure the compliance of the Group towards the ISO certification requirements.

The Board recognises the importance of maintaining a control conscious culture throughout the Group. The Group’s organisation chart outlines the responsibilities, accountability and hierarchical structure of reporting lines. The structure establishes a clear reporting line for approval and authority limits of the Board, top executives, CEO and heads of department for the transactions undertaken in the Group. The Board’s expectations are communicated through the CEO and heads of department who are actively involved in the operations of the Group.

## BOARD REVIEW MECHANISM

The Audit Committee is instituted by the Board to ensure the objectivity of the review of the systems of internal control in the Group. In order to enhance the effectiveness of the risk management and internal control systems, the Audit Committee is assisted by an external consultant, IA Essential Sdn. Bhd., who is independent of the Group's activities and operations to assess the adequacy and effectiveness of control of the selected key functions on quarterly basis. In addition, the Audit Committee obtains feedbacks from the External Auditors on the risk and control issues identified during the course of their statutory audit.

Areas for improvement identified by the auditors are deliberated by the Board and Audit Committee to ensure that the integrity of internal controls are maintained. None of the control weaknesses, as reported by auditors have resulted in any material losses, contingencies or uncertainties that would require mention in the Company's Annual Report. Management continuously takes measures to strengthen the internal control environment.

In addition, management supplements the Audit Committee review on control and understanding of risk issues when presenting their quarterly financial performance and results to the Audit Committee. The Audit Committee reviews and deliberates the interim financial results in corroboration with the Group's business development and the performance of its subsidiaries. Thereafter, the interim and annual financial results or statements are recommended to the Board for review before subsequent release to the public.

The Board had also defined the Code of Ethics for the Group and established a whistle blowing channel for reporting of violations against this code. In this case, employee and stakeholders who know of or suspect a violation are encouraged to report the incidence via the established channel.

## MANAGEMENT RESPONSIBILITIES AND ASSURANCE

In accordance to the Guideline, management is responsible to the Board for:

- identifying risks relevant to the business of the Group's objectives and strategies;
- designing, implementing and monitoring the risk management framework in accordance with the Group's strategic vision and overall risk appetite; and
- identifying changes to risk or emerging risks, responding appropriately and promptly bringing these to the attention of the Board.

The Board has received assurance from the CEO and CFO that to the best of their knowledge, the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects.

## BOARD ASSURANCE AND LIMITATION

The Board confirms that the process for identifying, evaluating and managing significant risks in the Group is on-going. For the financial year under review, there was no material loss resulting from significant control weaknesses. The Board is satisfied that the existing level of systems of risk management and internal control are adequate and effective to enable the Group to achieve its business objectives and operation efficiency and effectiveness.

While the Board wishes to reiterate that risk management and systems of internal control will be continuously improved in line with the evolving business development, it should be noted that all risk management systems and systems of internal control can only manage rather than eliminate risks of failure to achieve business objectives. Therefore, these systems of internal control and risk management in the Group can only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

## REVIEW OF STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants for inclusion in the annual report of the Group for the year ended 30 June 2016, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

- a. has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- b. is factually inaccurate.

RPG 5 (Revised) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problem.

This statement is made in accordance with a resolution of the Board dated 14 October 2016.



# FINANCIAL STATEMENTS

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# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

The Directors have pleasure in presenting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2016.

## PRINCIPAL ACTIVITIES

The principal activity of the Company consists of investment holding. The principal activities of the subsidiaries are disclosed in Note 4 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

## Results

	GROUP RM'000	COMPANY RM'000
Profit for the year attributable to:		
Owners of the Company	66,685	26,038
Non-controlling interests	(262)	–
	<u>66,423</u>	<u>26,038</u>

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the statement of changes of equity.

## DIVIDENDS

Since the end of the previous financial year, the Company paid a final single tier dividend of 2.5 sen per ordinary share totalling RM16,706,250 in respect of the financial year ended 30 June 2015 on 18 December 2015.

The Directors proposed a final single tier dividend of 2.0 sen per ordinary share totalling RM20,047,500, subject to the approval of the shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this proposed final dividend, which will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 30 June 2017.

## DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Tan Sri Dato' Seri Utama Arshad bin Ayub  
Dato' Dr. Ong Eng Long @ Ong Siew Chuan  
Mr. Goh Siang  
Mr. Goh Leng Kian  
Ms. Goh Yen Yen  
Ms. Lam Jiuan Jiuan  
Mr. Wong Yien Kim  
Mr. Law Ngee Song

## DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

NAME OF DIRECTORS	INTEREST	NUMBER OF ORDINARY SHARE OF RM0.25 EACH				AT 30 JUNE 2016
		AT 1 JULY 2015	BOUGHT	SOLD	BONUS ISSUE*	
Company						
Tan Sri Dato’ Seri Utama Arshad bin Ayub	Direct	225,000	75,000	–	150,000	450,000
Dato’ Dr. Ong Eng Long @ Ong Siew Chuan	Direct	225,000	–	(45,000)	90,000	270,000
Mr. Goh Siang	Direct	15,762,568	–	–	7,881,284	23,643,852
	Deemed <sup>(1)</sup>	212,625,000	–	–	106,312,500	318,937,500
Mr. Goh Leng Kian	Direct	24,312,577	–	–	12,156,288	36,468,865
	Deemed <sup>(1)</sup>	212,625,000	–	–	106,312,500	318,937,500
Ms. Goh Yen Yen	Direct	16,999,971	–	–	8,499,985	25,499,956
	Deemed <sup>(1)</sup>	212,625,000	–	–	106,312,500	318,937,500
Ms. Lam Jiuan Jiuan	Direct	12,724,971	–	–	6,362,485	19,087,456
	Deemed <sup>(2)</sup>	221,175,000	–	–	110,587,500	331,762,500
Mr. Law Ngee Song	Direct	172,500	–	–	86,250	258,750

\* Bonus issue credited as fully paid-up shares on the basis of 1 Bonus Share for every 2 shares held by the Company's shareholders

<sup>(1)</sup> Deemed interested by virtue of his/her equity interest in Karex One Limited

<sup>(2)</sup> Deemed interested by virtue of her equity interest in AJNA Holdings Limited and Karex One Limited

By virtue of their substantial interests in the shares of the Company, Mr. Goh Siang, Mr. Goh Leng Kian, Ms. Goh Yen Yen and Ms. Lam Jiuan Jiuan are also deemed interested in the ordinary shares of the wholly-owned subsidiaries during the financial year to the extent that Karex Berhad has an interest.

The other Director holding office at 30 June 2016 does not have any interest in the ordinary shares of the Company and of its related corporations during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than certain Directors who have significant financial interest in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 23 of the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

## ISSUE OF SHARES

During the financial year, the Company issued 334,125,000 new ordinary shares of RM0.25 each ("Bonus Share") credited as fully paid-up on the basis of one (1) bonus share for every two (2) shares held by the shareholders of the Company.

There were no other changes in the authorised, issued and paid-up capital of the Company during the financial year.

## OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

## OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision has been made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 June 2016 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## **AUDITORS**

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

**GOH LENG KIAN**

**GOH YEN YEN**

Johor Bahru

Date: 14 October 2016

# STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	NOTE	GROUP 2016 RM'000	2015 RM'000	COMPANY 2016 RM'000	2015 RM'000
<b>Assets</b>					
Property, plant and equipment	3	180,934	129,295	–	–
Investments in subsidiaries	4	–	–	189,544	124,028
Intangible assets	5	32,571	25,067	–	–
Deferred tax assets	6	247	126	–	–
<b>Total non-current assets</b>		<b>213,752</b>	<b>154,488</b>	<b>189,544</b>	<b>124,028</b>
Inventories	7	63,790	51,031	–	–
Trade and other receivables, including derivatives	8	133,384	85,136	85,901	72,592
Tax recoverable		2,885	–	–	–
Cash and cash equivalents	9	144,269	207,718	111,712	177,167
<b>Total current assets</b>		<b>344,328</b>	<b>343,885</b>	<b>197,613</b>	<b>249,759</b>
<b>Total assets</b>		<b>558,080</b>	<b>498,373</b>	<b>387,157</b>	<b>373,787</b>
<b>Equity</b>					
Share capital	10	250,594	167,063	250,594	167,063
Reserves	10	228,473	264,534	132,168	206,367
<b>Equity attributable to owners of the Company</b>		<b>479,067</b>	<b>431,597</b>	<b>382,762</b>	<b>373,430</b>
<b>Non-controlling interests</b>		<b>605</b>	<b>793</b>	<b>–</b>	<b>–</b>
<b>Total equity</b>		<b>479,672</b>	<b>432,390</b>	<b>382,762</b>	<b>373,430</b>
<b>Liabilities</b>					
Loans and borrowings	11	16,112	9,391	3,564	–
Deferred tax liabilities	6	7,755	5,351	–	–
<b>Total non-current liabilities</b>		<b>23,867</b>	<b>14,742</b>	<b>3,564</b>	<b>–</b>
Trade and other payables, including derivatives	12	42,976	35,889	70	280
Loans and borrowings	11	9,783	13,491	629	–
Taxation		1,782	1,861	132	77
<b>Total current liabilities</b>		<b>54,541</b>	<b>51,241</b>	<b>831</b>	<b>357</b>
<b>Total liabilities</b>		<b>78,408</b>	<b>65,983</b>	<b>4,395</b>	<b>357</b>
<b>Total equity and liabilities</b>		<b>558,080</b>	<b>498,373</b>	<b>387,157</b>	<b>373,787</b>

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	GROUP 2016 RM'000	2015 RM'000	COMPANY 2016 RM'000	2015 RM'000
<b>Revenue</b>					
Goods sold		343,617	298,094	–	–
Dividend income		–	–	15,000	14,000
		343,617	298,094	15,000	14,000
Cost of goods sold		(229,070)	(200,307)	–	–
<b>Gross profit</b>		114,547	97,787	15,000	14,000
Other income		13,225	10,420	5,475	5,566
Distribution expenses		(19,146)	(14,969)	–	–
Administrative expenses		(33,899)	(21,563)	(2,287)	(1,038)
Other expenses		(262)	(548)	(172)	(454)
<b>Results from operating activities</b>		74,465	71,127	18,016	18,074
Finance income		5,539	3,329	8,332	4,996
Finance costs		(654)	(1,174)	–	–
<b>Net finance income</b>		4,885	2,155	8,332	4,996
<b>Profit before tax</b>	13	79,350	73,282	26,348	23,070
Tax expense	14	(12,927)	(13,552)	(310)	(355)
<b>Profit for the year</b>		66,423	59,730	26,038	22,715
<b>Profit attributable to:</b>					
Owners of the Company		66,685	59,553	26,038	22,715
Non-controlling interests		(262)	177	–	–
<b>Profit for the year</b>		66,423	59,730	26,038	22,715
Basic and diluted earnings per ordinary share (sen)	15	6.65	6.34		

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Profit for the year</b>	<b>66,423</b>	59,730	<b>26,038</b>	22,715
<b>Other comprehensive (expense)/ income, net of tax</b>				
<b>Items that are or may be reclassified subsequently to profit or loss</b>				
Foreign currency translation differences for foreign operations/				
<b>Other comprehensive (expense)/income for the year, net of tax</b>	<b>(2,435)</b>	3,767	–	–
<b>Total comprehensive income for the year</b>	<b>63,988</b>	63,497	<b>26,038</b>	22,715
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	<b>64,176</b>	63,200	<b>26,038</b>	22,715
Non-controlling interest	<b>(188)</b>	297	–	–
<b>Total comprehensive income for the year</b>	<b>63,988</b>	63,497	<b>26,038</b>	22,715

The accompanying notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

NOTE	ATTRIBUTABLE TO OWNERS OF THE COMPANY						TOTAL RM'000	NON- CONTROLLING INTEREST RM'000	TOTAL EQUITY RM'000
	SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	MERGER RESERVE RM'000	TRANSLATION RESERVE RM'000	OTHER RESERVE RM'000	DISTRIBUTABLE RETAINED EARNINGS RM'000			
<b>Group</b>									
<b>At 1 July 2014</b>	101,250	25,540	63,511	(922)	718	33,235	223,332	–	223,332
<i>Contributions by and distributions to owners of the Company</i>									
Effect arising from the acquisition of a subsidiary	24(b)(i)	–	–	–	–	–	–	496	496
Private placement of shares		10,125	147,825	–	–	–	157,950	–	157,950
Share issue expenses		–	(2,760)	–	–	–	(2,760)	–	(2,760)
Bonus issue		55,688	(55,688)	–	–	–	–	–	–
Dividends to owners of the Company	16	–	–	–	–	(10,125)	(10,125)	–	(10,125)
<b>Total transactions with owners of the Company</b>		65,813	89,377	–	–	(10,125)	145,065	496	145,561
Foreign currency translation differences for foreign operations/ <b>Total other comprehensive income for the year</b>		–	–	–	3,647	–	3,647	120	3,767
Profit for the year		–	–	–	–	59,553	59,553	177	59,730
<b>Total comprehensive income for the year</b>		–	–	–	3,647	59,553	63,200	297	63,497
<b>At 30 June 2015</b>		167,063	114,917	63,511	2,725	718	82,663	793	432,390

The accompanying notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

NOTE	ATTRIBUTABLE TO OWNERS OF THE COMPANY						TOTAL RM'000	NON- CONTROLLING INTEREST RM'000	TOTAL EQUITY RM'000
	SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	MERGER RESERVE RM'000	TRANSLATION RESERVE RM'000	OTHER RESERVE RM'000	DISTRIBUTABLE RETAINED EARNINGS RM'000			
<b>Group</b>									
<b>At 1 July 2015</b>	167,063	114,917	63,511	2,725	718	82,663	431,597	793	432,390
<i>Contributions by and distributions to owners of the Company</i>									
Bonus issue	83,531	(83,531)	-	-	-	-	-	-	-
Dividends to owners of the Company	16	-	-	-	-	(16,706)	(16,706)	-	(16,706)
<b>Total transactions with owners of the Company</b>	<b>83,531</b>	<b>(83,531)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16,706)</b>	<b>(16,706)</b>	<b>-</b>	<b>(16,706)</b>
Foreign currency translation differences for foreign operations/ <b>Total other comprehensive income for the year</b>	-	-	-	(2,509)	-	-	(2,509)	74	(2,435)
Profit for the year	-	-	-	-	-	66,685	66,685	(262)	66,423
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,509)</b>	<b>-</b>	<b>66,685</b>	<b>64,176</b>	<b>(188)</b>	<b>63,988</b>
<b>At 30 June 2016</b>	<b>250,594</b>	<b>31,386</b>	<b>63,511</b>	<b>216</b>	<b>718</b>	<b>132,642</b>	<b>479,067</b>	<b>605</b>	<b>479,672</b>

The accompanying notes form an integral part of the financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	ATTRIBUTABLE TO OWNERS OF THE COMPANY				TOTAL EQUITY RM'000
		SHARE CAPITAL RM'000	NON-DISTRIBUTABLE SHARE PREMIUM RM'000	MERGER RESERVE RM'000	DISTRIBUTABLE RETAINED EARNINGS RM'000	
<b>Company</b>						
<b>At 1 July 2014</b>		101,250	25,540	63,511	15,349	205,650
<i>Contributions by and distributions to owners of the Company</i>						
Private placement of shares		10,125	147,825	–	–	157,950
Share issue expenses		–	(2,760)	–	–	(2,760)
Bonus issue		55,688	(55,688)	–	–	–
Dividends to owners of the Company	16	–	–	–	(10,125)	(10,125)
<b>Total transactions with owners of the Company</b>		65,813	89,377	–	(10,125)	145,065
Profit and total comprehensive income for the year		–	–	–	22,715	22,715
<b>At 30 June 2015</b>		<b>167,063</b>	<b>114,917</b>	<b>63,511</b>	<b>27,939</b>	<b>373,430</b>
<i>Contributions by and distributions to owners of the Company</i>						
Bonus issue		83,531	(83,531)	–	–	–
Dividends to owners of the Company	16	–	–	–	(16,706)	(16,706)
<b>Total transactions with owners of the Company</b>		<b>83,531</b>	<b>(83,531)</b>	<b>–</b>	<b>(16,706)</b>	<b>(16,706)</b>
Profit and total comprehensive income for the year		–	–	–	26,038	26,038
<b>At 30 June 2016</b>		<b>250,594</b>	<b>31,386</b>	<b>63,511</b>	<b>37,271</b>	<b>382,762</b>

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	GROUP 2016 RM'000	2015 RM'000	COMPANY 2016 RM'000	2015 RM'000
<b>Cash flows from operating activities</b>					
Profit before tax		<b>79,350</b>	73,282	<b>26,348</b>	23,070
Adjustments for:-					
Allowance for/(Reversal of)					
slow moving inventories		<b>488</b>	(101)	-	-
Depreciation and amortisation		<b>9,164</b>	7,669	-	-
Fair value (gain)/loss on derivative instruments		<b>(537)</b>	547	-	-
Finance costs		<b>654</b>	1,174	-	-
Gain from a bargain purchase		<b>(3,956)</b>	-	-	-
Impairment loss/(Reversal of impairment loss)					
on trade receivables		<b>75</b>	(1)	-	-
Interest income		<b>(5,539)</b>	(3,329)	<b>(8,332)</b>	(4,996)
Property, plant and equipment:					
- Gain on disposal		<b>(152)</b>	(4)	-	-
- Written off		<b>93</b>	-	-	-
Unrealised (gain)/loss on foreign exchange		<b>(899)</b>	(6,685)	<b>172</b>	(5,566)
<b>Operating profit before changes in working capital</b>		<b>78,741</b>	72,552	<b>18,188</b>	12,508
Changes in inventories		<b>(9,007)</b>	(2,340)	-	-
Changes in trade and other receivables		<b>(12,441)</b>	(3,619)	<b>(13,481)</b>	(34,778)
Changes in trade and other payables		<b>1,726</b>	(8,948)	<b>(210)</b>	216
<b>Cash generated from/(used in) operations</b>		<b>59,019</b>	57,645	<b>4,497</b>	(22,054)
Tax paid		<b>(15,270)</b>	(12,375)	<b>(255)</b>	(374)
<b>Net cash from/(used in) operating activities</b>		<b>43,749</b>	45,270	<b>4,242</b>	(22,428)

The accompanying notes form an integral part of the financial statements.

	NOTE	GROUP 2016 RM'000	2015 RM'000	COMPANY 2016 RM'000	2015 RM'000
<b>Cash flows from investing activities</b>					
Acquisition of:					
- property, plant and equipment	17	(44,052)	(46,315)	-	-
- subsidiaries, net cash and cash equivalents acquired	24	(13,000)	(20,870)	(13,000)	-
- intangible assets	5	(5,705)	-	-	-
Advance payment for proposed acquisition of a subsidiary	8	(34,217)	-	-	-
Increase in investment in subsidiaries		-	-	(52,516)	-
Investments in subsidiaries		-	-	- ##	- **
Proceeds from disposal of property, plant and equipment		482	107	-	-
Interest received		5,539	3,329	8,332	4,996
<b>Net cash (used in)/from investing activities</b>		<b>(90,953)</b>	<b>(63,749)</b>	<b>(57,184)</b>	<b>4,996</b>
<b>Cash flows from financing activities</b>					
Interest paid		(1,261)	(1,427)	-	-
Repayments of:					
- term loans		(3,531)	(2,772)	-	-
- finance lease liabilities		(1,060)	(1,033)	-	-
- bankers' acceptance		(7,363)	(717)	-	-
Drawdown of term loans		13,890	1,602	4,193	-
Proceeds from private issue of shares		-	157,950	-	157,950
Payment for share issue expenses		-	(2,760)	-	(2,760)
Change in pledged deposits		(700)	8,175	-	-
Dividends paid to owners of the Company		(16,706)	(10,125)	(16,706)	(10,125)
<b>Net cash (used in)/from financing activities</b>		<b>(16,731)</b>	<b>148,893</b>	<b>(12,513)</b>	<b>145,065</b>
Effect of exchange rate fluctuations on cash held		(228)	(113)	-	-
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(64,163)</b>	<b>130,301</b>	<b>(65,455)</b>	<b>127,633</b>
<b>Cash and cash equivalents at 1 July</b>		<b>207,481</b>	<b>77,180</b>	<b>177,167</b>	<b>49,534</b>
<b>Cash and cash equivalents at 30 June</b>		<b>143,318</b>	<b>207,481</b>	<b>111,712</b>	<b>177,167</b>
Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:					
Cash and bank balances		50,194	22,689	18,767	1,223
Deposits with licensed banks		937	2,988	-	2,026
Deposits with other corporation		93,138	182,041	92,945	173,918
		144,269	207,718	111,712	177,167
Less: Pledged deposits		(937)	(237)	-	-
Bank overdraft		(14)	-	-	-
		143,318	207,481	111,712	177,167

\*\* Represent RM4.00.

## Represent RM 202.00.

The accompanying notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

Karex Berhad is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

**Principal place of business**

Lot 594, Persiaran Raja Lumu  
Pandamaran Industrial Estate  
42000 Port Klang  
Selangor Darul Ehsan  
Malaysia

**Registered office**

10<sup>th</sup> Floor, Menara Hap Seng  
No. 1 & 3, Jalan P. Ramlee  
50250 Kuala Lumpur  
Malaysia

The consolidated financial statements of the Company as at and for the year ended 30 June 2016 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”). The financial statements of the Company as at and for the financial year ended 30 June 2016 do not include other entities.

The principal activity of the Company consists of investment holding. The principal activities of the subsidiaries are disclosed in Note 4.

These financial statements were authorised for issue by the Board of Directors on 14 October 2016.

## 1. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016***

- MFRS 14, *Regulatory Deferral 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)*

## 1. BASIS OF PREPARATION

### (a) Statement of compliance

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

- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

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

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*

#### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019**

- MFRS 16, *Leases*

#### **MFRSs, Interpretations and amendments effective from 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 and the Company plan to apply the abovementioned 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 and of the Company upon their first adoption except as mentioned below:

#### **(i) MFRS 15, *Revenue from Contracts with Customers* and Clarifications to 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 and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 15 and Clarifications to MFRS 15.

#### **(ii) 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 and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 9.

#### **(iii) 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 and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION (CONTINUED)

### (b) Basis of measurement

These financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

### (d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in Note 5 - measurement of the recoverable amounts of cash-generating units.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Group entities, unless otherwise stated.

### (a) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

#### (ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **(a) Basis of consolidation**

#### **(ii) Business combinations**

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

#### **(iii) Acquisitions of non-controlling interests**

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

#### **(iv) Restructuring among common shareholders**

During a restructuring where the combining entities are controlled by the same parties both before and after the combination, book value accounting is applied. The assets and liabilities acquired are recognised in the consolidated financial statements at their respective carrying amounts without restatement. The difference between the cost of acquisition and the nominal value of the shares acquired together with any other reserves of the combining entities are taken to merger reserve (or adjusted against any suitable reserve in the case of debit differences). The other components of equity of the acquired entities are added to the same components within group equity.

#### **(v) Loss of control**

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

#### **(vi) Non-controlling interests**

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

#### **(vii) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Foreign currency

#### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

#### (ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (c) Financial instruments

#### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

#### (ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

##### ***Financial assets***

##### ***(a) Financial assets at fair value through profit or loss***

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

##### ***(b) Loans and receivables***

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

##### ***(c) Available-for-sale financial assets***

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(i)(ii)).

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Financial instruments (continued)

#### (ii) Financial instrument categories and subsequent measurement (continued)

##### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

#### (iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

#### (iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

#### (v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **(c) Financial instruments**

#### **(v) Derecognition**

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### **(d) Property, plant and equipment**

#### **(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

#### **(ii) Subsequent costs**

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

#### **(iii) Depreciation**

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Property, plant and equipment (continued)

#### (iii) Depreciation (continued)

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. Leasehold land is amortised in equal instalment over the lease period from 27 to 62 years.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	20 - 50 years
Plant and machinery	10 - 20 years
Motor vehicles	5 - 10 years
Electrical installation, renovation, equipment, furniture and fittings	4 - 10 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

### (e) Leased assets

#### (i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

#### (ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (f) Intangible assets

#### (i) Brand

Brand that are acquired by the Group, which have infinite useful lives, is measured at cost less any accumulated impairment losses.

#### (ii) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses. Other intangible assets with indefinite useful lives are measured at cost less any accumulated impairment losses.

#### (iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

#### (iv) Amortisation

Brand and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets with finite useful life are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the current period are as follows:

- Patents and trademarks 15 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

### (g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on first-in first-out basis, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

### (i) Impairment

#### (i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

#### (ii) Other assets

The carrying amounts of other assets (except for inventories, deferred tax assets and assets arising from employee benefits) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **(i) Impairment**

#### **(ii) Other assets**

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

### **(j) Equity instruments**

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

#### **(i) Issue expenses**

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

#### **(ii) Ordinary shares**

Ordinary shares are classified as equity.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

### (l) Revenue and other income

#### (i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

#### (ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

#### (iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (m) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

### (n) Employee benefits

#### (i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### (ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

#### (iii) Defined benefit plans

The Group provides for post employment retirement benefits, payable to employees under the labour laws applicable in Thailand in respect of its subsidiary incorporated in Thailand.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realisable during the life of the plan, or on settlement of the plan liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) Employee benefits (continued)

#### (iii) Defined benefit plans (continued)

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

Actuarial gains and losses arising from defined benefit plans will be recognised as income or expense in the statement of other comprehensive income and all expenses related to defined benefit plans will be recognised as income and expense in profit or loss.

As the amount involved is not material to the Group. Accordingly, no further disclosure as required by the Standard is made.

### (o) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

### (p) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

### (q) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

### 3. PROPERTY, PLANT AND EQUIPMENT

	LAND AND BUILDINGS RM'000	PLANT AND MACHINERY RM'000	EQUIPMENT, FURNITURE AND FITTINGS RM'000	ELECTRICAL INSTALLATION AND RENOVATION RM'000	MOTOR VEHICLES RM'000	CONSTRUCTION- IN-PROGRESS RM'000	TOTAL RM'000
<b>Group</b>							
<b>At cost</b>							
At 1 July 2014	30,166	83,669	7,691	10,724	4,705	5,371	142,326
Acquisitions (see Note 24(b)(i))	–	–	485	410	118	–	1,013
Additions (see Note 17)	14,800	4,555	881	1,355	1,373	24,538	47,502
Disposals	–	(439)	–	–	(284)	–	(723)
Transfers	–	2,885	–	1,104	–	(3,989)	–
Translation differences	726	2,844	196	418	108	1,161	5,453
At 30 June 2015/ 1 July 2015	<b>45,692</b>	<b>93,514</b>	<b>9,253</b>	<b>14,011</b>	<b>6,020</b>	<b>27,081</b>	<b>195,571</b>
Acquisitions (see Note 24(a)(i))	<b>13,200</b>	<b>17,733</b>	<b>3,749</b>	–	<b>130</b>	–	<b>34,812</b>
Additions (see Note 17)	<b>6,503</b>	<b>9,702</b>	<b>2,437</b>	<b>988</b>	<b>1,239</b>	<b>24,323</b>	<b>45,192</b>
Disposals	–	(5)	(284)	–	(597)	(94)	(980)
Written off	–	(368)	(42)	–	–	–	(410)
Transfers	<b>18,099</b>	<b>13,852</b>	<b>2</b>	<b>6,995</b>	–	(38,948)	–
Translation differences	<b>166</b>	<b>683</b>	<b>40</b>	<b>113</b>	<b>30</b>	<b>200</b>	<b>1,232</b>
At 30 June 2016	<b>83,660</b>	<b>135,111</b>	<b>15,155</b>	<b>22,107</b>	<b>6,822</b>	<b>12,562</b>	<b>275,417</b>
<b>Accumulated depreciation</b>							
At 1 July 2014	2,980	38,731	3,839	7,717	2,886	–	56,153
Acquisitions (see Note 24(b)(i))	–	–	485	226	67	–	778
Depreciation charge	536	4,961	704	862	571	–	7,634
Disposals	–	(376)	–	–	(244)	–	(620)
Translation differences	208	1,800	149	117	57	–	2,331
At 30 June 2015/ 1 July 2015	<b>3,724</b>	<b>45,116</b>	<b>5,177</b>	<b>8,922</b>	<b>3,337</b>	–	<b>66,276</b>
Acquisitions (see Note 24(a)(i))	<b>2,875</b>	<b>13,724</b>	<b>3,275</b>	–	<b>84</b>	–	<b>19,958</b>
Depreciation charge	<b>680</b>	<b>5,780</b>	<b>1,084</b>	<b>739</b>	<b>789</b>	–	<b>9,072</b>
Disposals	–	–	(58)	–	(592)	–	(650)
Written off	–	(275)	(42)	–	–	–	(317)
Translation differences	<b>49</b>	<b>557</b>	<b>(344)</b>	<b>(146)</b>	<b>28</b>	–	<b>144</b>
At 30 June 2016	<b>7,328</b>	<b>64,902</b>	<b>9,092</b>	<b>9,515</b>	<b>3,646</b>	–	<b>94,483</b>
<b>Carrying amounts</b>							
At 1 July 2014	27,186	44,938	3,852	3,007	1,819	5,371	86,173
At 30 June 2015/ 1 July 2015	<b>41,968</b>	<b>48,398</b>	<b>4,076</b>	<b>5,089</b>	<b>2,683</b>	<b>27,081</b>	<b>129,295</b>
At 30 June 2016	<b>76,332</b>	<b>70,209</b>	<b>6,063</b>	<b>12,592</b>	<b>3,176</b>	<b>12,562</b>	<b>180,934</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### Land and buildings

Included in the carrying amounts of land and buildings are:

	GROUP	
	2016 RM'000	2015 RM'000
Land		
- Freehold land	18,774	18,774
- Long term leasehold land	3,970	4,058
- Short term leasehold land	5,971	321
Buildings	47,617	18,815
	<b>76,332</b>	<b>41,968</b>

### Security

The land and buildings and plant and machineries of the Group with a carrying amount of RM63,115,465 (2015: RM29,818,530) are charged to licensed banks as security for banking facilities granted as disclosed in Note 11.

### Leased plant and machinery and motor vehicles

At 30 June, the net carrying amounts of leased assets are as follows:

	GROUP	
	2016 RM'000	2015 RM'000
Plant and machinery	2,165	2,291
Motor vehicles	2,088	2,045
	<b>4,253</b>	<b>4,336</b>

### Others

Included in property of the Group is finance cost capitalised of RM607,284 (2015: RM253,032) at 3.99% - 7.85% (2015: 7.85%) per annum.

## 4. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2016 RM'000	2015 RM'000
Unquoted shares, at cost	189,544	124,028

#### 4. INVESTMENTS IN SUBSIDIARIES

Details of the subsidiaries are as follows:

NAME OF ENTITY	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	EFFECTIVE OWNERSHIP INTEREST AND VOTING INTEREST	
			2016 %	2015 %
Direct subsidiaries				
Karex Industries Sdn. Bhd.	Manufacture and sale of condoms	Malaysia	100	100
Hevea Medical Sdn. Bhd.	Manufacturing and sale of condoms, latex probe covers and latex sleeve	Malaysia	100	100
Innolates Sdn. Bhd.	Manufacture and sale of rubber products	Malaysia	100	100
Innolates (Thailand) Limited *	Manufacturing and sale of condoms, rubber finger gloves, hand gloves and/or rubber products	Thailand	100	100
Karex Global Limited #	Investment holding	Hong Kong	100	100
Medical-Latex (Dua) Sdn. Bhd.	Manufacture and sale of condoms	Malaysia	100	–
Karex Holdings Sdn. Bhd.	Investment holding	Malaysia	100	–
Karex International Sdn. Bhd. (Formerly known as Project Trillion Sdn. Bhd.)	Dormant	Malaysia	100	–
Karex Marketing Sdn. Bhd.	Dormant	Malaysia	100	–
Subsidiary of Karex Industries Sdn. Bhd.				
Uro Technology Sdn. Bhd.	Manufacturing and sale of sterile catheters	Malaysia	100	100
Subsidiary of Karex Global Limited				
Global Protection Corporation #	Distribution and sale of condoms	United States of America	55	55
Karex Europe S.L.U. #	Dormant	Spain	100	100

\* Audited by other member firm of KPMG International.

# Not audited by member firm of KPMG International.

There is no disclosure for non-controlling interest in a subsidiary as the balance is not material to the Group.

# NOTES TO THE FINANCIAL STATEMENTS

## 5. INTANGIBLE ASSETS

	BRAND RM'000	PATENTS AND TRADEMARKS RM'000	OTHER INTANGIBLE ASSETS RM'000	TOTAL RM'000
<b>Group</b>				
<b>At cost</b>				
At 1 July 2014	–	–	–	–
Acquisition (see Note 24(b)(i))	20,928	799	–	21,727
Effect of movements in exchange rates	3,288	220	–	3,508
At 30 June 2015/1 July 2015	<b>24,216</b>	<b>1,019</b>	<b>–</b>	<b>25,235</b>
Addition	–	116	5,589	5,705
Effect of movements in exchange rates	1,492	414	–	1,906
At 30 June 2016	<b>25,708</b>	<b>1,549</b>	<b>5,589</b>	<b>32,846</b>
<b>Accumulated amortisation</b>				
At 1 July 2014	–	–	–	–
Acquisition (see Note 24(b)(i))	–	113	–	113
Amortisation for the year	–	35	–	35
Effect of movements in exchange rates	–	20	–	20
At 30 June 2015/1 July 2015	–	<b>168</b>	<b>–</b>	<b>168</b>
Amortisation for the year	–	92	–	92
Effect of movements in exchange rates	–	15	–	15
At 30 June 2016	–	<b>275</b>	<b>–</b>	<b>275</b>
<b>Carrying amounts</b>				
At 30 June 2015	24,216	851	–	25,067
At 30 June 2016	<b>25,708</b>	<b>1,274</b>	<b>5,589</b>	<b>32,571</b>

### Other intangible assets

Other intangible assets comprise of patents, distribution rights, websites, quality certifications and others.

### Amortisation

The brand and the other intangible assets are of such nature that they will continue to remain relevant to the Group in terms of access to market, brand loyalty from customers, innovative business platform and restriction of new entrant. The management expects the brand and the other intangible assets to generate net cash inflows indefinitely into the future. As a result, no amortisation is provided against the carrying value of the brand and the other intangible assets as the management believes that the lives of such assets are indefinite at this point.

The amortisation of patents and trademarks which have finite useful life are recognised and charged to the administration expenses.

## 5. INTANGIBLE ASSETS

### Impairment testing for cash-generating units containing intangible assets

For the purpose of impairment testing, intangible asset with indefinite useful life is allocated to the Group's operating line which represent the lowest level within the Group at which the intangible asset is monitored for internal management purpose.

The aggregate carrying amount of the intangible assets is as follows:-

	GROUP	
	2016 RM'000	2015 RM'000
"ONE" brand manufacturing and distribution	25,708	24,216
Other intangible assets related to fitted condom	5,589	–
	<b>31,297</b>	24,216

### Brand

The recoverable amount for the above was based on its value in use, determined by discounting the future cash flows to be generated from the "ONE" brand manufacturing and distribution unit and was based on the following key assumptions:

- Cash flows were projected based on 5-year plan and an estimated terminal value.
- Revenue was projected based on adult population that uses condom of the target territories.
- Profit margin was based on the historical performance of the manufacturing and distribution units and remain constant throughout the projected period.
- A post-tax discount rate of 10.5% was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the Group's weighted average cost of capital.

The value assigned to the key assumptions represents management's assessment of future trends in the industry and are based on both internal and external sources.

Based on the management assessment, no impairment is required as the recoverable amount was higher than carrying amount.

### Other intangible assets

The recoverable amount for the above was based on its value in use, determined by discounting the future cash flows to be generated from the other intangible assets related to fitted condom and was based on the following key assumptions:

- Cash flows were projected based on 10-year plan and an estimated terminal value.
- Revenue was projected based on adult population that uses condom of the target territories.
- Profit margin was based on the historical performance of the manufacturing and distribution units and remain constant throughout the projected period.
- A post-tax discount rate of 10.5% was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the Group's weighted average cost of capital.

The value assigned to the key assumptions represents management's assessment of future trends in the industry and are based on both internal and external sources.

Based on the management assessment, no impairment is required as the recoverable amount was higher than carrying amount.

# NOTES TO THE FINANCIAL STATEMENTS

## 6. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

The amounts determined after appropriate offsetting are as follows:

	GROUP	
	2016 RM'000	2015 RM'000
Deferred tax assets	247	126
Deferred tax liabilities	(7,755)	(5,351)
	(7,508)	(5,225)

Deferred tax liabilities and assets are offset above where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority.

Deferred tax assets and liabilities are attributable to the following:

	GROUP	
	2016 RM'000	2015 RM'000
Property, plant and equipment		
- capital allowances	(8,086)	(6,218)
Inventories	574	481
Trade receivables	92	94
Others	(88)	418
	(7,508)	(5,225)

### Movement in temporary differences during the year

	AT 1 JULY 2015 RM'000	ACQUISITION (NOTE 24(a)(i)) RM'000	RECOGNISED IN PROFIT OR LOSS (NOTE 14) RM'000	AT 30 JUNE 2016 RM'000
<b>Group</b>				
Property, plant and equipment	(6,218)	(1,662)	(206)	(8,086)
Inventories	481	-	93	574
Trade receivables	94	-	(2)	92
Others	418	-	(506)	(88)
	(5,225)	(1,662)	(621)	(7,508)
	AT 1 JULY 2014 RM'000	ACQUISITION (NOTE 24(a)(i)) RM'000	RECOGNISED IN PROFIT OR LOSS (NOTE 14) RM'000	AT 30 JUNE 2015 RM'000
Property, plant and equipment	(5,448)	-	(770)	(6,218)
Inventories	400	-	81	481
Trade receivables	652	-	(558)	94
Others	50	-	368	418
	(4,346)	-	(879)	(5,225)

## 7. INVENTORIES

	GROUP	
	2016 RM'000	2015 RM'000
Raw materials	27,242	18,311
Work-in-progress	14,114	15,015
Finished goods	19,751	15,350
Chemicals and factory supplies	2,683	2,355
	<b>63,790</b>	<b>51,031</b>
Recognised in profit or loss:		
- Inventories recognised as cost of goods sold	<b>229,070</b>	<b>200,307</b>

## 8. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Trade</b>				
Trade receivables	79,400	70,353	-	-
Due from related parties	-	48	-	-
	<b>79,400</b>	<b>70,401</b>	<b>-</b>	<b>-</b>
<b>Non-trade</b>				
Other receivables, deposits and prepayments	53,447	14,735	9	220
Due from subsidiaries	-	-	85,892	72,372
	<b>53,447</b>	<b>14,735</b>	<b>85,901</b>	<b>72,592</b>
Derivatives financial assets	537	-	-	-
	<b>133,384</b>	<b>85,136</b>	<b>85,901</b>	<b>72,592</b>

The amounts due from related parties are subject to normal trade terms.

The amounts due from subsidiaries are unsecured, subject to interest at 5% (2015: 5%) per annum and repayable upon demand.

Included in other receivables, deposits and prepayments of the Group is RM34,217,000 (GBP6,000,000) in respect of advanced payment made for the acquisition of Pasante Healthcare Limited as disclosed in Note 25.2.

## 9. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and bank balances	50,194	22,689	18,767	1,223
Deposits with licensed banks	937	2,988	-	2,026
Deposits with other corporation	93,138	182,041	92,945	173,918
	<b>144,269</b>	<b>207,718</b>	<b>111,712</b>	<b>177,167</b>

Deposits with licensed banks of the Group of RM937,000 (2015: RM236,730) are pledged to bank as security for banking facilities granted to the Group as disclosed in Note 11.

# NOTES TO THE FINANCIAL STATEMENTS

## 10. CAPITAL AND RESERVES

Share capital	GROUP/COMPANY		GROUP/COMPANY NUMBER OF ORDINARY SHARES	
	2016 RM'000	2015 RM'000	2016 '000	2015 '000
Ordinary shares of RM0.25 each:				
Authorised	<b>500,000</b>	500,000	<b>2,000,000</b>	2,000,000
Issued and fully paid:				
At 1 July	<b>167,063</b>	101,250	<b>668,250</b>	405,000
Private placement	–	10,125	–	40,500
Bonus issue	<b>83,531</b>	55,688	<b>334,125</b>	222,750
At 30 June	<b>250,594</b>	167,063	<b>1,002,375</b>	668,250
Reserves	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Distributable</b>				
Retained earnings	<b>132,642</b>	82,663	<b>37,271</b>	27,939
<b>Non-distributable</b>				
Share premium	<b>31,386</b>	114,917	<b>31,386</b>	114,917
Merger reserve	<b>63,511</b>	63,511	<b>63,511</b>	63,511
Translation reserve	<b>216</b>	2,725	–	–
Other reserve	<b>718</b>	718	–	–
	<b>228,473</b>	264,534	<b>132,168</b>	206,367

### Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

### Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

### Merger reserve

The merger reserve comprises of the differences between the cost of acquisition and the nominal value of shares acquired together with any other reserves of the combining entities during the restructuring among common shareholders as stated in the accounting policy Note 2(a)(iv).

### Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

### Other reserve

Based on Thailand Law, the other reserve comprises of reserve fund allocated at each distribution of dividend, being at least 5% of the profit until it reaches 10% of the registered capital of a foreign subsidiary, and claimable upon disposal or liquidation of the foreign subsidiary by the Group. The legal reserve is not available for dividend distribution.

## 11. LOANS AND BORROWINGS

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Secured</b>				
<b>Non-current</b>				
Term loans	15,101	7,776	3,564	–
Finance lease liabilities	1,011	1,615	–	–
	<b>16,112</b>	<b>9,391</b>	<b>3,564</b>	<b>–</b>
<b>Current</b>				
Term loans	6,293	3,259	629	–
Bankers' acceptances	2,419	9,251	–	–
Finance lease liabilities	1,057	981	–	–
Bank overdraft	14	–	–	–
	<b>9,783</b>	<b>13,491</b>	<b>629</b>	<b>–</b>
	<b>25,895</b>	<b>22,882</b>	<b>4,193</b>	<b>–</b>

The bank borrowings are secured by:

- Fixed and floating charges over the Group's certain assets as disclosed in Note 3;
- Joint and several guarantee by Directors and the Company; and
- Pledged of certain fixed deposit of the Group are disclosed in Note 9.

### Significant covenants

The borrowings of a subsidiary of the Group, Karex Industries Sdn. Bhd. is subject to the following covenants:

- Maintain gearing ratios of not more than 1.5 times or 2.0 times or 3.5 times as defined by the respective financial institutions.
- Net tangible worth of the said subsidiary shall not be less than RM40,000,000.
- The said subsidiary shall not without the banks' prior written consent, incur or assume additional indebtedness or guarantee any indebtedness (except in the ordinary course of business), alter the present ownership structure and extend loans and advances to the Directors of the Company and its related companies.
- The said subsidiary shall not without the banks' prior written consent, declare and pay dividend exceeding 50% of the profit after tax of each financial year.

# NOTES TO THE FINANCIAL STATEMENTS

## 11. LOANS AND BORROWINGS (CONTINUED)

### Finance lease liabilities

Finance lease liabilities (secured) are payable as follows

	2016			2015		
	FUTURE MINIMUM LEASE PAYMENTS RM'000	INTEREST RM'000	PRESENT VALUE OF MINIMUM LEASE PAYMENTS RM'000	FUTURE MINIMUM LEASE PAYMENTS RM'000	INTEREST RM'000	PRESENT VALUE OF MINIMUM LEASE PAYMENTS RM'000
<b>Group</b>						
Less than one year	1,134	77	1,057	1,094	113	981
Between one and five years	1,065	54	1,011	1,701	86	1,615
	<b>2,199</b>	<b>131</b>	<b>2,068</b>	<b>2,795</b>	<b>199</b>	<b>2,596</b>

## 12. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade payables	23,392	17,680	–	–
Other payables and accrued expenses	19,584	17,662	70	280
	<b>42,976</b>	<b>35,342</b>	<b>70</b>	<b>280</b>
Derivatives financial liabilities	–	547	–	–
	<b>42,976</b>	<b>35,889</b>	<b>70</b>	<b>280</b>

## 13. PROFIT BEFORE TAX

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Profit before tax is arrived at after charging/(crediting)</b>				
Allowance for/(Reversal of) for slow moving inventories	488	(101)	–	–
Audit fees				
- KPMG Malaysia	273	229	80	75
- Overseas affiliate of KPMG Malaysia	80	73	–	–
- Other auditors	187	176	–	–
Non audit fees				
- KPMG Malaysia	22	30	–	–
- Local affiliate of KPMG Malaysia	256	485	–	–
- Overseas affiliate of KPMG Malaysia	–	11	–	–
Depreciation and amortisation	9,164	7,669	–	–
Fair value (gain)/loss on derivative instruments	(537)	547	–	–
Foreign exchange:				
- Realised (gain)/loss	(7,978)	(3,382)	(5,475)	454
- Unrealised (gain)/loss	(899)	(6,685)	172	(5,566)
Gain from a bargain purchase 24(a)(i)	(3,956)	–	–	–
Impairment loss/(Reversal of impairment loss) on trade receivables	75	(1)	–	–
Personnel expenses (including key management personnel):				
- Contributions to state plans	2,790	2,281	–	–
- Wages, salaries and others	59,661	50,753	–	–
Property, plant and equipment:				
- Written off	93	–	–	–
- Gain on disposal	(152)	(4)	–	–
Rental expense	2,876	2,277	–	–

### 13. PROFIT BEFORE TAX

#### Key management personnel compensation

The key management personnel compensation are as follows:

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors:				
- Fees	410	380	410	380
- Remunerations	1,629	1,426	-	-
- Benefits	53	65	-	-
Total short-term employee benefits	2,092	1,871	410	380
Other key management personnel:				
- Remunerations	2,240	1,609	-	-
- Benefits	59	24	-	-
	2,299	1,633	-	-
	4,391	3,504	410	380

Other key management personnel comprises persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

# NOTES TO THE FINANCIAL STATEMENTS

## 14. TAX EXPENSE

### Recognised in profit or loss

Major components of income tax expense include:

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Current tax expense</b>				
- Current year	12,046	13,492	396	312
- Prior years	260	(819)	(86)	43
	12,306	12,673	310	355
<b>Deferred tax expense</b>				
- Origination and reversal of temporary differences	512	899	-	-
- Prior years	109	(20)	-	-
	621	879	-	-
	12,927	13,552	310	355
<b>Reconciliation of tax expense</b>				
Profit before tax	79,350	73,282	26,348	23,070
Income tax calculated using Malaysian tax rate of 24% (2015: 25%)	19,044	18,321	6,324	5,768
Non-deductible expenses	1,446	820	576	390
Non-taxable income	(3,814)	(2,384)	(6,504)	(5,846)
Effect of different tax rates in different jurisdictions	(644)	(446)	-	-
Tax incentives	(3,474)	(1,920)	-	-
	12,558	14,391	396	312
Under/(Over) provided in prior years	369	(839)	(86)	43
Tax expense	12,927	13,552	310	355

## 15. EARNINGS PER ORDINARY SHARE

### Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 30 June 2016 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	GROUP	
	2016 RM'000	2015 RM'000
Profit for the year attributable to owners of the Company	66,685	59,553
<i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares at 30 June ('000)	1,002,375	938,962
Basic earnings per ordinary share (sen)	6.65	6.34

The weighted average number of ordinary shares of the previous year were restated to reflect the retrospective adjustments arising from the bonus issue completed on 20 April 2016 in accordance with MFRS 133, Earning per share.

## 15. EARNINGS PER ORDINARY SHARE

### Diluted earnings per ordinary share

The diluted earnings per share is the same as basic earnings per share as there are no dilutive potential ordinary shares outstanding.

## 16. DIVIDENDS

Dividends recognised by the Company are:

	SEN PER SHARE	TOTAL AMOUNT RM'000	DATE OF PAYMENT
<b>2015</b>			
2015 - Final, single tier	2.5	16,706	18 December 2015
<b>2014</b>			
2014 - Final, single tier	2.5	10,125	22 December 2014

After the reporting period, the following dividend was proposed by the Directors. The dividend will be recognised in subsequent financial period upon approval by the owners of the Company.

	SEN PER SHARE	TOTAL AMOUNT RM'000
2016 - Final, single tier	2.0	20,048

## 17. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Acquisition of property, plant and equipment represents:-

	2016 RM'000	GROUP 2015 RM'000
Current year additions	45,192	47,502
Less: Amount financed by finance lease	(533)	(934)
Interest capitalised	(607)	(253)
	<b>44,052</b>	46,315

## 18. OPERATING SEGMENTS

### Group

The Group's main business activities comprise investment holding, manufacture and sale of condoms, latex probe covers, sterile catheters and other rubber products. These activities are principally located in Malaysia, Thailand and United States of America. Inter-segment pricing is determined based on negotiated terms.

Performance is measured based on segment profit before tax and interest, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer ("CEO"), who is the Group's chief operating decision maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

# NOTES TO THE FINANCIAL STATEMENTS

## 18. OPERATING SEGMENTS (CONTINUED)

### Segment assets

The total of segment asset is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the Group's CEO. Segment total asset is used to measure the return of assets of each segment.

	CONDOMS RM'000	CATHETERS RM'000	PROBE COVERS, LUBRICATING JELLY AND OTHERS RM'000	TOTAL RM'000
<b>2016</b>				
<b>Segment profit</b>	<b>61,952</b>	<b>3,774</b>	<b>5,561</b>	<b>71,287</b>
<i>Included in the measure of segment profit are:</i>				
Revenue from external customers	<b>316,433</b>	<b>15,200</b>	<b>11,984</b>	<b>343,617</b>
<i>Included in the measure of segment profit are:</i>				
Allowance for slow moving inventories	<b>(488)</b>	<b>–</b>	<b>–</b>	<b>(488)</b>
Depreciation and amortisation	<b>(8,955)</b>	<b>(178)</b>	<b>(31)</b>	<b>(9,164)</b>
Gain from a bargain purchase	<b>(3,956)</b>	<b>–</b>	<b>–</b>	<b>(3,956)</b>
<i>Not included in the measure of segment profit but provided to CEO:</i>				
Finance income	<b>5,539</b>	<b>–</b>	<b>–</b>	<b>5,539</b>
Finance costs	<b>(654)</b>	<b>–</b>	<b>–</b>	<b>(654)</b>
<b>Segment assets</b>	<b>393,356</b>	<b>9,377</b>	<b>8,873</b>	<b>411,606</b>
<i>Not included in the measure of segment assets are:</i>				
Additions to non-current assets other than financial instruments and deferred tax assets	<b>44,898</b>	<b>294</b>	<b>–</b>	<b>45,192</b>
<b>2015</b>				
<b>Segment profit</b>	<b>59,834</b>	<b>2,745</b>	<b>4,873</b>	<b>67,452</b>
<i>Included in the measure of segment profit are:</i>				
Revenue from external customers	<b>274,845</b>	<b>13,347</b>	<b>9,902</b>	<b>298,094</b>
<i>Included in the measure of segment profit are:</i>				
Reversal of allowance for slow moving inventories	<b>101</b>	<b>–</b>	<b>–</b>	<b>101</b>
Depreciation and amortisation	<b>(7,412)</b>	<b>(228)</b>	<b>(29)</b>	<b>(7,669)</b>
<i>Not included in the measure of segment profit but provided to CEO:</i>				
Finance income	<b>3,326</b>	<b>3</b>	<b>–</b>	<b>3,329</b>
Finance costs	<b>(1,173)</b>	<b>(1)</b>	<b>–</b>	<b>(1,174)</b>
<b>Segment assets</b>	<b>304,885</b>	<b>10,269</b>	<b>5,824</b>	<b>320,978</b>
<i>Not included in the measure of segment assets are:</i>				
Additions to non-current assets other than financial instruments and deferred tax assets	<b>47,290</b>	<b>212</b>	<b>–</b>	<b>47,502</b>

## 18. OPERATING SEGMENTS

Reconciliations of reportable segment revenues, profit or loss, assets and other material items:

	GROUP	
	2016 RM'000	2015 RM'000
<b>Profit or loss</b>		
Total profit for reportable segments	71,287	67,452
Finance costs	(654)	(1,174)
Finance income	5,539	3,329
Unallocated items:		
- Corporate expenses	(2,464)	(1,891)
- Others	5,642	5,566
Consolidated profit before tax	79,350	73,282
<b>Total assets</b>		
Total assets for reportable segments	411,606	320,978
Other non-reportable segments	146,474	177,395
Consolidated total assets	558,080	498,373

### Major customers

There is no significant concentration of sales to a customer exceeding 10% of the Group's revenue (2015: one significant customer with a total revenue of RM33.9 million).

## 19. FINANCIAL INSTRUMENTS

### 19.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables ("L&R");
- (b) Financial liabilities measured at amortised cost ("FL"); and
- (c) Derivatives used for hedging.

	CARRYING AMOUNT RM'000	L&R RM'000	FL RM'000	DERIVATIVES USED FOR HEDGING RM'000
<b>Group</b>				
<b>2016</b>				
<b>Financial assets</b>				
Trade and other receivables, including derivatives	99,167	98,630	–	537
Cash and cash equivalents	144,269	144,269	–	–
	243,436	242,899	–	537
<b>Financial liabilities</b>				
Trade and other payables, including derivatives	(42,976)	–	(42,976)	–
Loans and borrowings	(25,895)	–	(25,895)	–
	(68,871)	–	(68,871)	–

# NOTES TO THE FINANCIAL STATEMENTS

## 19. FINANCIAL INSTRUMENTS (CONTINUED)

### 19.1 Categories of financial instruments (continued)

	CARRYING AMOUNT RM'000	L&R RM'000	FL RM'000	DERIVATIVES USED FOR HEDGING RM'000
<b>Group</b>				
<b>2015</b>				
<b>Financial assets</b>				
Trade and other receivables	85,136	85,136	–	–
Cash and cash equivalents	207,718	207,718	–	–
	<b>292,854</b>	<b>292,854</b>	<b>–</b>	<b>–</b>
<b>Financial liabilities</b>				
Trade and other payables, including derivatives	(35,889)	–	(35,342)	(547)
Loans and borrowings	(22,882)	–	(22,882)	–
	<b>(58,771)</b>	<b>–</b>	<b>(58,224)</b>	<b>(547)</b>
<b>Company</b>				
<b>2016</b>				
<b>Financial assets</b>				
Trade and other receivables	<b>85,901</b>	<b>85,901</b>	–	–
Cash and cash equivalents	<b>111,712</b>	<b>111,712</b>	–	–
	<b>197,613</b>	<b>197,613</b>	<b>–</b>	<b>–</b>
<b>Financial liabilities</b>				
Trade and other payables	<b>(70)</b>	–	<b>(70)</b>	–
Loans and borrowings	<b>(4,193)</b>	–	<b>(4,193)</b>	–
	<b>(4,263)</b>	<b>–</b>	<b>(4,263)</b>	<b>–</b>
<b>2015</b>				
<b>Financial assets</b>				
Trade and other receivables	72,592	72,592	–	–
Cash and cash equivalents	177,167	177,167	–	–
	<b>249,759</b>	<b>249,759</b>	<b>–</b>	<b>–</b>
<b>Financial liabilities</b>				
Trade and other payables	(280)	–	(280)	–

### 19.2 Net gains and losses arising from financial instruments

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net gains/(losses) on:				
Fair value through profit or loss	<b>537</b>	(547)	–	–
Loan and receivables	<b>14,341</b>	13,397	<b>13,634</b>	10,108
Financial liabilities measured at amortised cost	<b>(1,261)</b>	(1,427)	–	–
	<b>13,617</b>	11,423	<b>13,634</b>	10,108

## 19. FINANCIAL INSTRUMENTS

### 19.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

### 19.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's and the Company's exposure to credit risk arises principally from its receivables from customers, amounts due from subsidiaries.

#### Receivables

*Risk management objectives, policies and processes for managing the risk*

The Board of Directors is of the view that the exposure to credit risk which is managed through the direct involvement of Executive Directors who are monitoring on an on-going basis is deemed sufficient.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, there were no significant concentrations of credit risk and the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

*Impairment losses*

The Group maintains an ageing analysis in respect of trade receivables and related parties only. The ageing of trade receivables as at the end of the reporting period was:

GROUP	GROSS RM'000	INDIVIDUAL IMPAIRMENT RM'000	NET RM'000
<b>2016</b>			
Not past due	49,980	–	49,980
Past due 0 - 30 days	14,907	–	14,907
Past due 31 - 60 days	5,247	–	5,247
Past due more than 60 days	9,723	(457)	9,266
	<b>79,857</b>	<b>(457)</b>	<b>79,400</b>
<b>2015</b>			
Not past due	47,771	–	47,771
Past due 0 - 30 days	11,099	–	11,099
Past due 31 - 60 days	10,550	–	10,550
Past due more than 60 days	1,363	(382)	981
	<b>70,783</b>	<b>(382)</b>	<b>70,401</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 19. FINANCIAL INSTRUMENTS (CONTINUED)

### 19.4 Credit risk (continued)

In determining whether additional allowance is required to be made, the Group considers financial background of the customers, past transactions and other specific reasons causing these balances to be past due more than 60 days. The customers are regular customers that have been transacting with the Group. The Group do not consider it necessary to impair further the receivable amount and is satisfied that the amount net of allowance can be recovered.

The movements in the allowance for impairment losses of receivables during the financial year were:

	GROUP	
	2016 RM'000	2015 RM'000
At 1 July	382	2,191
Impairment loss recognised /(reversed)	75	(1)
Impairment loss written off	-	(1,998)
Exchange difference	-	190
At 30 June	457	382

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

#### Inter-company balances

*Risk management objectives, policies and processes for managing the risk*

The Company's exposure to credit risk arose from unsecured advances provided to its subsidiaries.

The Company monitors the financial positions of subsidiaries in assessing its credit risk.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

*Impairment losses*

As at the end of the reporting period, there was no indication that the amounts due from subsidiaries are not recoverable.

#### Financial guarantees

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to subsidiaries. The Company monitors on an ongoing basis the results of its subsidiaries and repayments made by its subsidiaries.

*Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk amounts to RM3,052,634 (2015: RM4,138,523) representing the outstanding banking facilities of its subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that these subsidiaries would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

## 19. FINANCIAL INSTRUMENTS

### 19.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group and the Company maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

#### Maturity analysis

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	CARRYING AMOUNT RM'000	CONTRACTUAL INTEREST RATE/ COUPON %	CONTRACTUAL CASH FLOWS RM'000	UNDER 1 YEAR RM'000	1-2 YEARS RM'000	2 - 5 YEARS RM'000	MORE THAN 5 YEARS RM'000
<b>Group</b>							
<b>2016</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	42,976	-	42,976	42,976	-	-	-
Secured term loans	21,394	2.72 - 8.10	24,005	6,841	6,624	8,820	1,720
Secured finance lease liabilities	2,068	4.09 - 7.03	2,199	1,134	822	243	-
Secured bank overdraft	14	7.38	14	14	-	-	-
Secured bankers' acceptances	2,419	4.91	2,419	2,419	-	-	-
	<b>68,871</b>		<b>71,613</b>	<b>53,384</b>	<b>7,446</b>	<b>9,063</b>	<b>1,720</b>
<i>Derivative financial liabilities</i>							
<i>Forward exchange contracts (gross settled):</i>							
Outflow	-	-	51,669	51,669	-	-	-
Inflow	(537)	-	(52,206)	(52,206)	-	-	-
	<b>68,334</b>		<b>71,076</b>	<b>52,847</b>	<b>7,446</b>	<b>9,063</b>	<b>1,720</b>
<b>2015</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	35,342	-	35,342	35,342	-	-	-
Secured term loans	11,035	5.62 - 8.10	12,922	3,862	5,978	1,047	2,035
Secured finance lease liabilities	2,596	4.41 - 7.03	2,795	1,094	1,459	242	-
Secured bankers' acceptance	9,251	1.43 - 4.75	9,251	9,251	-	-	-
	<b>58,224</b>		<b>60,310</b>	<b>49,549</b>	<b>7,437</b>	<b>1,289</b>	<b>2,035</b>
<i>Derivative financial liabilities</i>							
<i>Forward exchange contracts (gross settled):</i>							
Outflow	547	-	27,319	27,319	-	-	-
Inflow	-	-	(26,772)	(26,772)	-	-	-
	<b>58,771</b>		<b>60,857</b>	<b>50,096</b>	<b>7,437</b>	<b>1,289</b>	<b>2,035</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 19. FINANCIAL INSTRUMENTS (CONTINUED)

### 19.5 Liquidity risk (continued)

	CARRYING AMOUNT RM'000	CONTRACTUAL INTEREST RATE/ COUPON %	CONTRACTUAL CASH FLOWS RM'000	UNDER 1 YEAR RM'000	1-2 YEARS RM'000	2 - 5 YEARS RM'000	MORE THAN 5 YEARS RM'000
<b>Company</b>							
<b>2016</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	70	-	70	70	-	-	-
Secured term loans	4,193	2.72	5,070	686	915	3,469	-
Financial guarantee*	-	-	3,053	3,053	-	-	-
	<b>4,263</b>		<b>8,193</b>	<b>3,809</b>	<b>915</b>	<b>3,469</b>	<b>-</b>
<b>2015</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	280	-	280	280	-	-	-
Financial guarantee*	-	-	4,139	4,139	-	-	-
	<b>280</b>		<b>4,419</b>	<b>4,419</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* The amount represents the outstanding banking facilities of the subsidiaries at the end of the reporting period.

### 19.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's and the Company's financial position or cash flows.

#### Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Group. The currencies giving rise to this risk are primarily US Dollar ("USD"), Euro Dollar ("EUR") and Great Britain Pound ("GBP").

#### *Risk management objectives, policies and processes for managing the risk*

The Group uses forward exchange contracts to hedge its foreign currency risk from time to time. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity.

## 19. FINANCIAL INSTRUMENTS

### 19.6 Market risk

#### Currency risk

##### *Exposure to foreign currency risk*

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Company) risk, based on carrying amounts as at the end of the reporting period was:

GROUP	DENOMINATED IN		
	USD RM'000	EUR RM'000	GBP RM'000
<b>2016</b>			
Trade receivables	70,603	105	478
Other receivables	125	670	–
Cash and cash equivalents	14,270	1,887	95
Trade payables	(10,133)	(121)	(9)
Other payables	(8,267)	–	–
Loans and borrowings	(4,193)	–	–
Forward exchange contracts	(52,208)	–	–
Net exposure	10,197	2,541	564
<b>2015</b>			
Trade receivables	62,376	972	–
Other receivables	2,549	760	–
Cash and cash equivalents	12,188	1,918	116
Trade payables	(5,172)	–	–
Other payables	(5,596)	–	–
Loans and borrowings	(4,139)	–	–
Forward exchange contracts	(26,772)	–	–
Net exposure	35,434	3,650	116

##### *Currency risk sensitivity analysis*

A 10% (2015: 10%) strengthening of the Ringgit Malaysia ("RM") against the following currencies at the end of the reporting period would have decreased post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

GROUP	DENOMINATED IN		
	USD RM'000	EUR RM'000	GBP RM'000
<b>2016</b>			
Profit or loss	(775)	(193)	(43)
<b>2015</b>			
Profit or loss	(2,658)	(274)	(9)

A 10% (2015: 10%) weakening of the RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

# NOTES TO THE FINANCIAL STATEMENTS

## 19. FINANCIAL INSTRUMENTS (CONTINUED)

### 19.6 Market risk (continued)

#### Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

#### *Risk management objectives, policies and processes for managing the risk*

There is no formal hedging policy with respect to interest rate exposure. Exposure to interest rate is monitored on an ongoing basis and the Group endeavours to keep the exposure at an acceptable level.

#### *Exposure to interest rate risk*

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Fixed rate instruments</b>				
Financial assets	94,082	185,029	92,945	175,944
Financial liabilities	(4,487)	(11,847)	–	–
	<b>89,595</b>	<b>173,182</b>	<b>92,945</b>	<b>175,944</b>
<b>Floating rate instruments</b>				
Financial liabilities	(21,408)	(11,035)	(4,193)	–

#### *Interest rate risk sensitivity analysis*

##### (a) *Fair value sensitivity analysis for fixed rate instruments*

The Group and the Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company does not designate derivatives as hedging instruments under a fair valued hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

##### (b) *Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/ (decreased) the Group and the Company post-tax results by RM163,000 (2015: RM83,000) and RM32,000 (2015: NIL) respectively. This analysis assumes that all other variables remained constant.

### 19.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate their fair values due to the relatively short term nature of these financial instruments.

The carrying amounts of the finance lease liabilities approximates their fair value as there is no material change in the interest charged on similar kind of borrowings in the market.

The carrying amount of the floating rate term loans approximates its fair values as its effective interest rate changes accordingly to movements in the market interest rate.

## 19. FINANCIAL INSTRUMENTS

### 19.7 Fair value information

No disclosure of fair value is made for amounts due from subsidiaries, as it is not practicable to determine their fair values with sufficient reliability since these balances have no fixed terms of repayment and is repayable upon demand.

The table below analyses financial instruments carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

GROUP	FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE LEVEL 2 RM'000	TOTAL FAIR VALUE RM'000	CARRYING AMOUNT RM'000
<b>2016</b>			
<b>Financial assets</b>			
Forward exchange contracts	537	537	537
<b>2015</b>			
<b>Financial liabilities</b>			
Forward exchange contracts	(547)	(547)	(547)

#### Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

#### Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract provided by the bank.

## 20. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio to operate effectively with minimal external borrowings.

During 2016, the Group's strategy was to maintain the debt-to-equity ratio at the lower end range within 0.5 to 1.0. The debt and equity position of the Group at 30 June 2016 was as follows:

	GROUP	
	2016 RM'000	2015 RM'000
Total borrowings (Note 11)	25,895	22,882
Less: Cash and cash equivalents (Note 9)	(144,269)	(207,718)
	(118,374)	(184,836)
Total equity	479,672	432,390

No disclosure is made for debt-to-equity ratio as the Group is in a net positive cash position as at 30 June 2016.

There were no changes in the Group's approach to capital management during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

## 21. CAPITAL COMMITMENT

	GROUP	
	2016 RM'000	2015 RM'000
<b>Property, plant and equipment</b>		
Contracted but not provided for	5,778	9,020

## 22. OPERATING LEASES

Leases as lessee

	GROUP	
	2016 RM'000	2015 RM'000
<b>Non-cancellable operating rentals are payable as follows:</b>		
Within one year	1,391	1,446
Between one and five years	1,739	2,798
More than five years	4,330	3,440
	7,460	7,684

The Group leases a number of properties being used for its office, factory and warehouse under operating leases. The lease typically run for a period between 3 and 30 years. The Group has an option to renew the lease upon the expiry of the lease. Lease payments are of the amount and increasing rate stated in the lease agreements.

## 23. RELATED PARTIES

### Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its subsidiaries and key management personnel.

### Significant related party transactions

The significant related party transactions of the Group and the Company, other than key management personnel compensation (see Note 13) and acquisitions (see Note 24), are as follows:

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>A. Subsidiary</b>				
Dividend income	–	–	15,000	14,000
Interest income	–	–	5,171	2,160
<b>B. Entities in which certain Directors/Directors' close family members have substantial financial interest</b>				
Sales of goods	162	271	–	–

## 24. ACQUISITION OF SUBSIDIARIES

### (a) For the financial year ended 30 June 2016

#### (i) Acquisition of a subsidiary

The Group acquired 100% of the issued and paid-up share capital of Medical-Latex (Dua) Sdn. Bhd. ("MLD") for a total cash consideration of RM13.0 million on 13 October 2015.

	RM'000
<b>Identifiable assets acquired and liabilities assumed</b>	
Property, plant and equipment	14,854 <sup>(1)</sup>
Inventories	4,240
Trade and other receivables	4,911
Trade and other payables	(4,856)
Borrowings	(531)
Deferred tax liabilities	(1,662) <sup>(1)</sup>
<b>Net assets acquired</b>	<b>16,956</b>
Gain from a bargain purchase	(3,956)
<b>Consideration paid by the Group</b>	<b>13,000</b>
<b>Net cash outflow arising from acquisition of a subsidiary are as follows:</b>	
Fair value of the consideration paid by the Group	13,000

<sup>(1)</sup> In accordance with MFRS 3, Business Combination, a fair value adjustment for land and building amounting to RM6.5 million and deferred tax liabilities of RM1.6 million were recognised upon acquisition. The Group has recognised a bargain purchase gain of RM3.9 million.

In the nine months to 30 June 2016, MLD contributed revenue of RM9,418,000 and loss after tax of RM638,000. The management is of the view that the estimated consolidated revenue and consolidated profit for the financial year will not be materially different from the reported amount in the financial statements had the acquisition occurred on 1 July 2015.

#### (ii) Acquisition-related costs

The Group incurred acquisition-related costs of RM195,000 related to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in administrative expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

## 24. ACQUISITION OF SUBSIDIARIES (CONTINUED)

### (b) For the financial year ended 30 June 2015

#### (i) Acquisition of a subsidiary

The Group has via a newly set up subsidiary, Karex Global Limited, acquired 55% of the issued and paid-up share capital of Global Protection Corporation (“GPC”) for a total cash consideration of USD 6.6 million, equivalent to RM21.5 million on 3 October 2014. GPC is a condom and lubricant distributor of the “ONE” brand products and other trademarked brand names products.

	RM'000
<b>Identifiable assets acquired and liabilities assumed</b>	
Property, plant and equipment	235
Intangible assets	21,614
Inventories	8,120
Trade and other receivables	4,248
Cash and cash equivalents	669
Trade and other payables	(9,577)
Borrowings	(3,274)
Minority interest	(496)
<b>Net assets acquired/Consideration paid by the Group</b>	<b>21,539</b>
Net assets arising from Acquisitions are as follows:	
Fair value of the consideration paid by the Group	21,539
Less: Cash and cash equivalents acquired	(669)
	<b>20,870</b>

In the nine months to 30 June 2015, GPC contributed revenue of RM25,490,000 and profit of RM394,000. The management is of the view that the estimated consolidated revenue and consolidated profit for the financial year will not be materially different from the reported amount in the financial statements had the acquisition occurred on 1 July 2014.

#### (ii) Acquisition-related costs

The Group incurred acquisition-related costs of RM672,700 related to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in administrative expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

## 25. SIGNIFICANT EVENTS

### 25.1 Bonus Issue

On 20 April 2016, the Company undertook a bonus issue of 334,125,000 new ordinary shares of RM0.25 each ("Bonus Shares") credited as fully paid up on the basis of 1 Bonus Share for every 2 existing shares held.

### 25.2 Proposed Acquisition

#### (i) Acquisition of a subsidiary

On 26 May 2016, Karex Holdings Sdn Bhd, a wholly owned subsidiary of the Company entered into a conditional share purchase agreement ("SPA") for the purpose of acquisition of 100% of the issued and paid-up share capital of Pasante Healthcare Limited ("Pasante") at a cash consideration of GBP 6.0 million (equivalent to RM34,217,000). The proposed acquisition was completed on 1 July 2016. Effect of the proposed acquisition are as disclosed below:

	RM'000
<b>Identifiable assets acquired and liabilities assumed</b>	
Property, plant and equipment	299
Inventories	6,207
Trade and other receivables	5,497
Cash and cash equivalents	4,120
Trade and other payables	(9,136)
<b>Net assets acquired</b>	<b>6,987</b>
Goodwill and other intangible assets	27,230
<b>Consideration paid by the Group</b>	<b>34,217</b>
<b>Net cash outflow arising from proposed acquisition are as follows:</b>	
Purchase consideration settled in cash and cash equivalents	(34,217)
Cash and cash equivalents acquired	4,120
	<b>(30,097)</b>

In the past 12 months to 30 June 2016, Pasante has generated revenue of RM42,466,000 and profit after tax of RM4,155,000. The management is of the view that the estimated consolidated revenue will be RM386,083,000 and consolidated profit will be RM70,578,000 for the financial year had the acquisition occurred on 1 July 2015.

#### (ii) Acquisition-related costs

The Group incurred acquisition-related costs of RM387,000 related to external legal fees and due diligence costs. The legal fees and due diligence costs have been included as prepaid expenses and will be expensed off in the next financial year.

## 26. SUBSEQUENT EVENTS

### 26.1 Acquisition of assets

On 30 August 2016, Karex International Sdn. Bhd., a wholly-owned subsidiary of the Company has entered into a conditional asset purchase agreement with Line One Laboratories, Inc. (USA) ("Line One") for the rights, title and interests to certain assets of Line One for a cash consideration of USD8.0 million. The proposed acquisition is pending for completion.

### 26.2 Subscription of shares

On 29 September 2016, the Company subscribed for 249,997 new ordinary shares of THB100.00 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. KPL is presently dormant.

# NOTES TO THE FINANCIAL STATEMENTS

## 27. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 30 June, into realised and unrealised profits or losses, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained earnings of the Company and its subsidiaries:				
- realised	<b>248,132</b>	187,769	<b>37,443</b>	22,373
- unrealised	<b>(4,410)</b>	913	<b>(172)</b>	5,566
	<b>243,722</b>	188,682	<b>37,271</b>	27,939
Less: Consolidation adjustments	<b>(111,080)</b>	(106,019)	–	–
Total retained earnings	<b>132,642</b>	82,663	<b>37,271</b>	27,939

The determination of realised and unrealised profits or losses is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

# STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

In the opinion of the Directors, the financial statements set out on pages 78 to 127 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2016 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 27 on page 128 to the financial statements has been compiled in accordance with Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

**GOH LENG KIAN**

**GOH YEN YEN**

Johor Bahru

Date: 14 October 2016

# STATUTORY DECLARATION

PURSUANT SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **GOH CHOK SIANG**, the officer primarily responsible for the financial management of KAREX BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 78 to 128 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Johor Bahru in the State of Johor on 14 October 2016.

**GOH CHOK SIANG**

Before me:

**HJ ZAMANI BIN HJ AHMAD**

*Commissioner For Oaths*

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# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KAREX BERHAD

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Karex Berhad, which comprise the statements of financial position as at 30 June 2016 of the Group and of the Company, and the statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 78 to 127.

### *Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2016 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of the subsidiaries of which we have not acted as auditors, which are indicated in Note 4 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KAREX BERHAD

## OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 27 on page 128 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

## OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

### KPMG

Firm Number: AF 0758  
Chartered Accountants

### TAN TECK ENG

Approval Number: 2986/05/18 (J)  
Chartered Accountant

Johor Bahru

Date: 14 October 2016

# LIST OF PROPERTIES

NO.	ADDRESS	LAND AREA/ BUILT UP AREA (SQ. FT.)	DESCRIPTION/ EXISTING USE	DATE OF ACQUISITION	TENURE	YEAR OF EXPIRY	APPROXIMATE AGE OF BUILDINGS (YEARS)	NET BOOK VALUE AT 30 JUNE 2016 (RM'000)
1.	PTD 7906, Taman Pontian Jaya Batu 34 Jalan Johor 82000 Pontian, Johor	9,354/ 5,460	1½ storey semi-detached building which we use as office, factory and warehouse	05/04/2000	Freehold	–	23	515
2.	PTD 7907, Taman Pontian Jaya Batu 34 Jalan Johor 82000 Pontian, Johor	10,807/ 5,460	1½ storey semi-detached building which we use as office, factory and warehouse	05/04/2000	Freehold	–	23	515
3.	Lot 1235, Benut 82000 Pontian, Johor	225,418/ –	Vacant land	10/09/2002	Freehold	–	–	813
4.	PTD 7915, Taman Pontian Jaya Batu 34 Jalan Johor 82000 Pontian, Johor	9,720/ 5,460	1½ storey semi-detached building which we use as warehouse	22/02/2005	Freehold	–	23	607
5.	Lot 2767, Jalan Johor, 82000 Pontian, Johor	781,335/ –	Building under construction	21/10/2010	Freehold	–	–	10,508
6.	Lot 1863, Batu 39 ½, Jalan Johor, 82000 Pontian, Johor	18,241/ 7,798	Single storey semi-detached building which we use as office, factory and warehouse	27/07/2015	Leasehold 99 years	October 2063	23	668
7.	Lot 2491, Batu 39 ½, Jalan Johor, 82000 Pontian, Johor	54,450/ 21,385	Single storey semi-detached building which we use as office, factory and warehouse	27/07/2015	Leasehold 99 years	October 2063	23	1,994
8.	Lot 2244, Batu 39 ½, Jalan Johor, 82000 Pontian, Johor	39,204/ 6,439	Single storey semi-detached building which we use as office, factory and warehouse	27/07/2015	Leasehold 99 years	October 2063	23	1,436

# LIST OF PROPERTIES

NO.	ADDRESS	LAND AREA/ BUILT UP AREA (SQ. FT.)	DESCRIPTION/ EXISTING USE	DATE OF ACQUISITION	TENURE	YEAR OF EXPIRY	APPROXIMATE AGE OF BUILDINGS (YEARS)	NET BOOK VALUE AT 30 JUNE 2016 (RM'000)
9.	Lot 2256, Batu 39 ½, Jalan Johor, 82000 Pontian, Johor	199,477/ 128,808	Single storey semi-detached building which we use as office, factory and warehouse	27/07/2015	Freehold	–	23	8,774
10.	Lot 1368, Batu 39 ½, Jalan Johor, 82000 Pontian, Johor	37,598	Vacant Land	27/07/2015	Agriculture Freehold	–	–	376
11.	Lot 1369, Batu 39 ½, Jalan Johor, 82000 Pontian, Johor	101,549	Vacant Land	27/07/2015	Agriculture Freehold	–	–	1,015
12.	Lot 2515, Batu 39 ½, Jalan Johor, 82000 Pontian, Johor	37,026	Vacant Land	27/07/2015	Agriculture Freehold	–	–	370
13	Lot 591, Persiaran Raja Lumu, Pandamaran Industrial Estate, 42000 Port Klang, Selangor Darul Ehsan	43,560/ 28,908	1½ store building which we use as warehouse	09/03/2012	Leasehold 99 years	September 2074	25	6,216
14	Lot 594, Persiaran Raja Lumu, Pandamaran Industrial Estate, 42000 Port Klang, Selangor Darul Ehsan	43,560/ 63,907	3-storey building which we use as office, factory and warehouse	20/10/2003	Leasehold 99 years	September 2074	28	10,197
15.	PTD 8746 Taman Perindustrian Pontian, 82000 Pontian, Johor	61,680/ –	Vacant land	14/10/2005	Leasehold 60 years	November 2056	–	810
16.	Land Slot No.: E1-6 Export Processing Zone, Southern Industrial Estate Village 4, Tumbol Chalung, Amphur Hat Yai, Songkhla	45,047/ 41,925	1½ storey building which we use as office, factory and warehouse	30/04/2003	Leasehold 30 years	April 2033	11	1,148

NO.	ADDRESS	LAND AREA/ BUILT UP AREA (SQ. FT.)	DESCRIPTION/ EXISTING USE	DATE OF ACQUISITION	TENURE	YEAR OF EXPIRY	APPROXIMATE AGE OF BUILDINGS (YEARS)	NET BOOK VALUE AT 30 JUNE 2016 (RM'000)
17.	Land Slot No.: E1-7 Export Processing Zone, Southern Industrial Estate Village 4, Tumbol Chalung, Amphur Hat Yai, Songkhla	45,047/ 29,891	Single storey building which we use as office, factory and warehouse	09/02/2003	Leasehold 30 years	February 2036	11	1,016
18.	Land Slot No.: E1-8 Export Processing Zone, Southern Industrial Estate Village 4, Tumbol Chalung, Amphur Hat Yai, Songkhla	45,047/ 57,307	Single storey building which we use as warehouse	01/11/2012	Leasehold 30 years	October 2042	2	1,975
19.	Land Slot No.: E1-9- 11 Export Processing Zone, Southern Industrial Estate Village 4, Tumbol Chalung, Amphur Hat Yai, Songkhla	194,394/ 105,092	Single storey factory	01/08/2014	Leasehold 30 years	July 2044	8-9 months	17,192
20.	PTD 8780, PLO8, Jalan Perindustrian, Senai Industrial Estate 1, 81400 Senai, Johor Darul Takzim	174,235/ 76,844	Single storey building which we use as office, factory and warehouse	12/01/1983	Leasehold 60 years	January 2043	31	8,293
21.	PTD 8786, PLO11, Jalan Perindustrian, Senai Industrial Estate 1, 81400 Senai, Johor Darul Takzim	87,123/ 1,956	Single storey building which we use as factory and warehouse	23/09/1985	Leasehold 60 years	September 2045	31	1,894

# ANALYSIS OF SHAREHOLDINGS

STATISTICS ON SHAREHOLDINGS AS AT 30 SEPTEMBER 2016

Authorised Share Capital	:	RM500,000,000.00 divided into 2,000,000,000 Ordinary Shares of RM0.25 each
Issued and Paid-up Share Capital	:	RM250,593,750.00 divided into 1,002,375,000 Ordinary Shares of RM0.25 each
Class of Shares	:	Ordinary Share of RM0.25 each
Voting Rights	:	One vote per ordinary share
Number of Shareholders	:	8,139

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
Less than 100	180	2.21	7,244	0.00
100 - 1,000	1,376	16.91	907,510	0.09
1,001 - 10,000	4,757	58.45	19,699,660	1.97
10,001 - 100,000	1,503	18.47	40,676,287	4.06
100,001 to less than 5% of issued shares	321	3.94	557,834,343	55.65
5% and above of issued shares	2	0.02	383,249,956	38.23
<b>Total</b>	<b>8,139</b>	<b>100.00</b>	<b>1,002,375,000</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

The following are the substantial shareholders of the Company according to the Register of Substantial Shareholders.

NAME OF SHAREHOLDERS	DIRECT INTEREST		INDIRECT INTEREST	
	NO OF SHARES	%	NO OF SHARES	%
Karex One Limited	318,937,500	31.82	–	–
- HSBC Nominees (Asing) Sdn Bhd (Pledged securities Account BNP Paribas Wealth Management Singapore for Karex One Limited)				
Lam Yiu Pang Albert	64,312,456	6.42	12,825,000 <sup>(*)</sup>	1.28

<sup>(\*)</sup> Deemed interested by virtue of his interest in Ajna Holdings Limited pursuant to Section 6A of the Companies Act 1965

## DIRECTORS' SHAREHOLDINGS

NAME OF DIRECTORS	DIRECT INTEREST		INDIRECT INTEREST	
	NO OF SHARES	%	NO OF SHARES	%
Tan Sri Dato' Seri Utama Arshad Bin Ayub	500,000	0.05	–	–
Dato' Dr. Ong Eng Long @ Ong Siew Chuan	270,000	0.03	–	–
Goh Siang	23,643,852	2.36	318,937,500 <sup>(1)</sup>	31.82
Goh Leng Kian	36,468,865	3.64	318,937,500 <sup>(1)</sup>	31.82
Goh Yen Yen	25,499,956	2.54	318,937,500 <sup>(1)</sup>	31.82
Lam Jiuan Jiuan	19,087,456	1.90	331,762,500 <sup>(2)</sup>	33.10
Wong Yien Kim	–	–	–	–
Law Ngee Song	258,750	0.03	–	–

### Notes:

- <sup>(1)</sup> Deemed interested by virtue of his/her equity interest in Karex One Limited pursuant to Section 6A of the Companies Act 1965
- <sup>(2)</sup> Deemed interested by virtue of her equity interest in Karex One Limited and AJNA Holdings Limited pursuant to Section 6A of the Companies Act, 1965

# THIRTY LARGEST SHAREHOLDERS

STATISTICS ON SHAREHOLDINGS AS AT 30 SEPTEMBER 2016

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES	%
1	HSBC NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT BNP PARIBAS WEALTH MANAGEMENT SINGAPORE FOR KAREX ONE LIMITED	318,937,500	31.82
2	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR LAM YIU PANG ALBERT (PB)	64,312,456	6.42
3	CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND HG22 FOR SMALLCAP WORLD FUND, INC.	35,044,875	3.50
4	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GOH LENG KIAN (PB)	27,468,865	2.74
5	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GOH YIN (PB)	25,837,470	2.58
6	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GOH MIAH KIAT (PB)	25,500,097	2.54
7	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GOH YEN YEN (PB)	25,499,956	2.54
8	GOH AI NOI	25,162,456	2.51
9	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR LAM JIUAN JIUAN (PB)	19,087,456	1.90
10	CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND C068 FOR TIAA-CREF INTERNATIONAL OPPORTUNITIES FUND (TIAA-CREF FUNDS)	18,138,000	1.81
11	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR MATTHEWS ASIA SMALL COMPANIES FUND	13,685,725	1.37
12	LIM POH CHUAN	13,500,000	1.35
13	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR AJNA HOLDINGS LIMITED (PB)	12,825,000	1.28
14	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UBS AG SG FOR LIM BENG GUAN	11,250,000	1.12
15	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR GOH SIANG (PBCL-0G0200)	11,000,000	1.10
16	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD.	10,782,187	1.08
17	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR J.P. MORGAN BANK LUXEMBOURG S.A. (2)	9,767,425	0.97
18	CARTABAN NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR EASTSPRING INVESTMENTS BERHAD	9,692,650	0.97
19	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR GOH LENG KIAN (PBCL-0G0199)	9,000,000	0.90
20	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (AM INV)	8,675,700	0.87

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES	%
21	CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND C041 FOR COLLEGE RETIREMENT EQUITIES FUND	8,333,325	0.83
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	8,221,000	0.82
23	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 2)	7,745,400	0.77
24	DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND W4B0 FOR WASATCH INTERNATIONAL OPPORTUNITIES FUND	7,539,825	0.75
25	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)	7,510,137	0.75
26	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GOH SIANG (PB)	7,143,852	0.71
27	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.)	5,666,100	0.57
28	UOBM NOMINEES (ASING) SDN BHD BANQUE DE LUXEMBOURG FOR BL EMERGING MARKETS	5,200,000	0.52
29	CARTABAN NOMINEES (ASING) SDN BHD RBC INVESTOR SERVICES BANK S.A. FOR J O HAMBRO CAPITAL MANAGEMENT ASIA EX-JAPAN SMALL AND MID-CAP FUND (JOHCMUFPLC)	4,994,675	0.50
30	DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND JNA3 FOR JNL/OPPENHEIMER EMERGING MARKETS INNOVATOR FUND	4,687,200	0.47
<b>TOTAL</b>		<b>762,209,332</b>	<b>76.04</b>

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Fourth Annual General Meeting ("4th AGM") of Karex Berhad ("Karex" or "Company") will be held at Setia City Convention Centre, No. 1, Jalan Setia Dagang AG U13/AG, Setia Alam, Seksyen U13, 40170 Shah Alam, Selangor Darul Ehsan on Monday, 28 November 2016 at 10.00 a.m. for the purpose of considering the following businesses:-

## AGENDA

### Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 30 June 2016 together with the Reports of the Directors and the Auditors thereon.

**(Refer to Explanatory Note (a))**

2. To re-elect the following Directors who are retiring in accordance with the Article 95 the Company's Articles of Association, and being eligible, have offered themselves for re-election:

(i) Goh Leng Kian **(Ordinary Resolution 1)**

(ii) Lam Jiuan Jiuan **(Ordinary Resolution 2)**

3. To re-appoint the following Directors, who retire pursuant to Section 129(6) of the Companies Act, 1965 (the "Act") and being eligible, offer themselves for re-appointment and to hold office until the conclusion of the next AGM:

(i) Tan Sri Dato' Seri Utama Arshad Bin Ayub  
**(Ordinary Resolution 3)**

(ii) Dato' Dr. Ong Eng Long @ Ong Siew Chuan  
**(Ordinary Resolution 4)**

(iii) Goh Yen Yen **(Ordinary Resolution 5)**

4. To approve the payment of Directors' fees of RM410,000.00 for the financial year ended 30 June 2016.

**(Ordinary Resolution 6)**

5. To approve the payment of a final single tier dividend of 2.0 sen per ordinary share of RM0.25 each for the financial year ended 30 June 2016.

**(Ordinary Resolution 7)**

6. To re-appoint Messrs. KPMG as Auditors of the Company until the conclusion of the next AGM and authorise the Directors to fix their remuneration.

**(Ordinary Resolution 8)**

## SPECIAL BUSINESS

To consider and if thought fit, pass the following resolutions with or without any modifications:

7. **Authority to Issue Shares Pursuant to Section 132D of the Act**

"THAT subject to Section 132D of the Act, and approvals of the relevant governmental / regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the issued and paid-up share capital (excluding treasury shares) of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

**(Ordinary Resolution 9)**

8. To transact any other business of which due notice shall have been given in accordance with the Act.

## NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at the 4th AGM, a final single tier dividend of 2.0 sen per ordinary share of RM0.25 each for the financial year ended 30 June 2016, if approved, will be paid on the 16th day of December 2016 to holders of ordinary shares registered in the Record of Depositors of the Company at the close of business on 5 December 2016.

A depositor shall qualify for entitlement to the dividend only in respect of:-

- a) Securities transferred into the Depositor's Securities Account before 4.00 p.m. on 5 December 2016 in respect of transfers; and
- b) Securities bought on the Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of the Bursa Securities.

BY ORDER OF THE BOARD

**LIM LEE KUAN** (MAICSA 7017753)  
**ANNA LEE AI LENG** (LS 0009729)  
*Company Secretaries*

Kuala Lumpur  
Dated this 28<sup>th</sup> day of October 2016

**Notes:**

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy or in the case of a corporation, to appoint a duly authorised representative to attend and vote in his/her place. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act, shall not apply to the Company.
2. The Form of Proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing. If the appointer is a corporation, it must be executed under its common seal or under the hand of its officer or its attorney duly authorised on its behalf.
3. A member may appoint two or more proxies to attend and vote at the general meeting of the Company. Where a member appoints two or more proxies, the appointment of such proxies shall not be valid unless the Member specifies the proportion of his/her shareholding to be represented by each such proxy.
4. The Form of Proxy, together with the power of attorney (if any) under which it is signed or a duly notarial certified copy thereof, must be deposited at the registered office of the Company at 10th Floor, Menara Hap Seng, No. 1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time for holding this meeting or any adjournment thereof.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
6. Depositors whose name appear in the Record of Depositors as at 21 November 2016 shall be regarded as members of the Company entitled to attend the AGM or appoint proxies to attend and vote on his/her behalf in accordance with Articles 55(5) and 55(6) of the Company's Articles of Association.

**EXPLANATORY NOTES ON ORDINARY AND SPECIAL BUSINESS**

- a) *Item 1 of the Agenda*  
*Audited Financial Statements for the financial year ended 30 June 2016.*

The Audited Financial Statements under this agenda item is meant for discussion only as the provision of Section 169(1) of the Act, does not require a formal approval of the shareholders and hence this item is not put forward for voting.

- b) *Ordinary Resolutions 3, 4 and 5*  
*Re-appointment of Directors in accordance with Section 129(6) of the Act*

The re-appointment of Tan Sri Dato' Seri Utama Arshad Bin Ayub, Dato' Dr. Ong Eng Long @ Ong Siew Chuan and Madam Goh Yen Yen, persons over the age of 70 years, as Directors of the Company to hold office until the conclusion of the next AGM of the Company shall take effect if the proposed Resolutions 3, 4 and 5 have been passed at the 4<sup>th</sup> AGM.

- c) *Ordinary Resolution 9*  
*Authority to Issue Shares pursuant to Section 132D of the Act*

The proposed Ordinary Resolution 9, if passed, will give flexibility to the Directors of the Company to issue shares up to a maximum of ten per centum (10%) of the issued share capital of the Company at the time of such issuance of shares and for such purposes as they consider would be in the best interest of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

This is the renewal of the general mandate which was approved at the Third AGM of the Company held on 30 November 2015 ("Previous Mandate") and which will lapse at the conclusion of the forthcoming AGM to be held on 28 November 2016. The Previous Mandate was not utilised and accordingly no proceeds were raised.

This renewal mandate, if approved, will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placement of shares, for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisition(s).

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, there is no individual seeking election as Director at the 4<sup>th</sup> Annual General Meeting of the Company.

# FORM OF PROXY



## KAREX BERHAD (1018579-U)

NUMBER OF SHARES HELD	
CDS ACCOUNT NO.	

\* I/We ..... NRIC No./Passport No./Company No. ....  
of ..... being a Member(s) of KAREX BERHAD (1018579-U), hereby appoint  
#THE CHAIRMAN OF THE MEETING or ..... NRIC No./Passport No. ....  
of ..... or failing him/her .....  
NRIC No./Passport No ..... of ..... as \*my/our proxy to vote for \*me/us on  
\*my/our behalf at the Fourth Annual General Meeting of the Company to be held at Setia City Convention Centre, No. 1, Jalan  
Setia Dagang AG U13/AG, Setia Alam, Seksyen U13, 40170 Shah Alam, Selangor Darul Ehsan on Monday, 28 November 2016 at  
10.00 a.m. or at any adjournment thereof and to vote as indicated below:

ORDINARY RESOLUTIONS		FOR	AGAINST
1	To re-elect Mr Goh Leng Kian as Director		
2	To re-elect Madam Lam Jiuan Jiuan as Director		
3	To re-appoint Tan Sri Dato' Seri Utama Arshad Bin Ayub		
4	To re-appoint Dato' Dr. Ong Eng Long @ Ong Siew Chuan		
5	To re-appoint Madam Goh Yen Yen		
6	To approve the payment of Directors' fees of RM410,000.00 for the financial year ended 30 June 2016.		
7	To approve Final Single Tier Dividend		
8	To re-appoint Messrs KPMG as Auditors of the Company		
9	<b>SPECIAL BUSINESS</b> Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965		

Mark either box if you wish to direct the proxy how to vote. If no mark is made the proxy may vote on the resolution or abstain from voting as the proxy thinks fit. If you appoint two proxies and wish them to vote differently this should be specified.

# If you wish to appoint other person(s) to be your proxy/proxies, kindly delete the words "The Chairman of the Meeting" and insert the name(s) of the person(s) desired.

\* Delete if not applicable.

Signed this ..... day of ..... 2016

.....  
Signature / Common Seal of Shareholder

### Notes:

- A member entitled to attend and vote at this meeting is entitled to appoint a proxy or in the case of a corporation, to appoint a duly authorised representative to attend and vote in his/her place. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- The Form of Proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing. If the appointer is a corporation, it must be executed under its common seal or under the hand of its officer or its attorney duly authorised on its behalf.
- A member may appoint two or more proxies to attend and vote at the general meeting of the Company. Where a member appoints two or more proxies, the appointment of such proxies shall not be valid unless the Member specifies the proportion of his/her shareholding to be represented by each such proxy.
- The Form of Proxy, together with the power of attorney (if any) under which it is signed or a duly notarial certified copy thereof, must be deposited at the registered office of the Company at 10th Floor, Menara Hap Seng, No. 1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time for holding this meeting or any adjournment thereof.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
- Depositors whose name appear in the Record of Depositors as at 21 November 2016 shall be regarded as members of the Company entitled to attend the AGM or appoint proxies to attend and vote on his/her behalf in accordance with Articles 55(5) and 55(6) of the Company's Articles of Association.

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AFFIX STAMP

THE COMPANY SECRETARY  
**KAREX BERHAD** (1018579-U)  
10<sup>th</sup> Floor, Menara Hap Seng,  
No. 1 & 3, Jalan P. Ramlee,  
50250 Kuala Lumpur.

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