

**2017**  
**Annual Report**

# **Building Sustainable Growth**

**karex**





# Mission Statement

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Our mission is to be and remain the world's leading provider of sexual wellness products and solutions.

We cultivate entrepreneurship, diversity and the desire to excel in the things we do. We strive to develop the most creative, inspiring and unique experiences for the global community.

Our vision is to continuously build an organisation that responds to changing views of sexual health and develops products that inspire people to make better, healthier choices.

We champion social responsibility and sustainability, not just as moral imperatives but to build better, stronger relationships within our communities.





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FINANCIAL STATEMENTS





# Corporate Information



# Corporate Information

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## 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

## 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



## Risk Management Committee

Lam Jiu-an Jiu-an  
Chairwoman  
Non-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

Goh Miah Kiat  
Member  
Chief Executive Officer

Goh Chok Siang  
Member  
Chief Financial Officer

## 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

KPMG PLT [LLP0010081-LCA & 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 2017



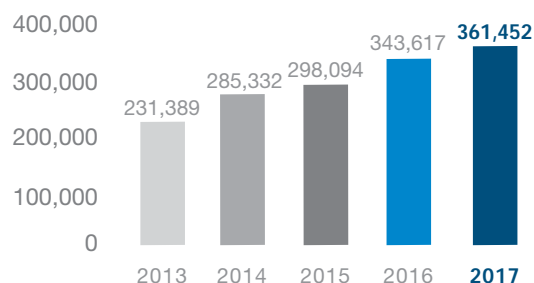
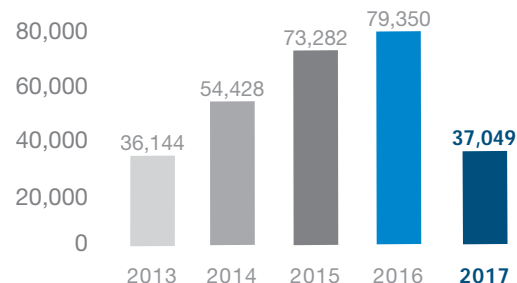
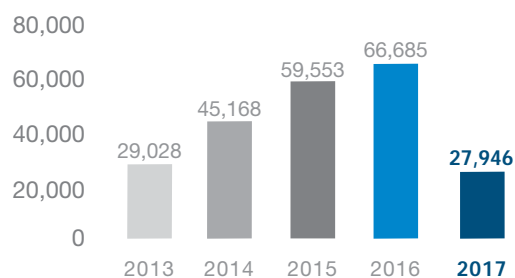
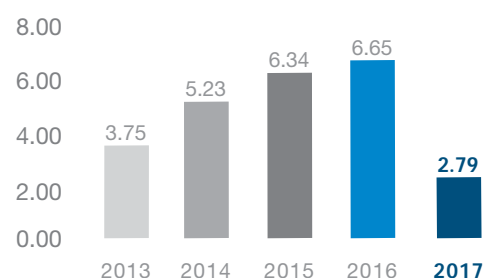
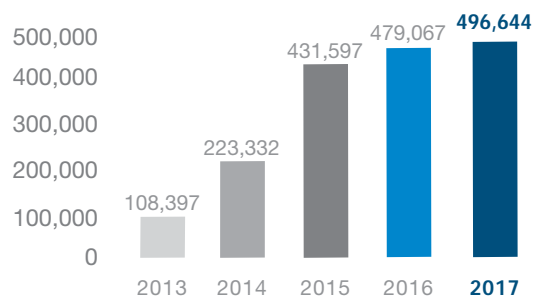
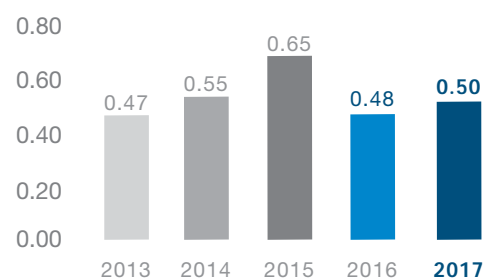


# Financial Highlights

	FINANCIAL YEAR ENDED 30 JUNE				
	2013 <sup>(a)</sup>	2014 <sup>(b)</sup>	2015	2016	2017
<b>FINANCIAL PERFORMANCE (RM'000)</b>					
(i) Revenue	231,389	285,332	298,094	343,617	361,452
(ii) Profit before tax	36,144	54,428	73,282	79,350	37,049
(iii) Profit attributable to owners of the Company	29,028	45,168	59,553	66,685	27,946
<b>FINANCIAL POSITION (RM'000)</b>					
<b>ASSETS</b>					
(i) Total tangible assets	223,406	289,864	473,306	525,509	496,841
(ii) Net assets	108,397	223,332	431,597	479,067	496,644
(iii) Current assets	146,678	203,549	343,885	344,328	294,840
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>					
(i) Current liabilities	99,010	51,664	51,241	54,541	75,801
(ii) Paid-up share capital	57,375	101,250	167,063	250,594	281,980
(iii) Shareholders' funds	108,397	223,332	431,597	479,067	496,644
<b>PER SHARE</b>					
(i) Basic earning (sen) *	3.75	5.23	6.34	6.65	2.79
(ii) Net assets (RM) **	0.47	0.55	0.65	0.48	0.50
* Based on weighted average number of shares issued ('000)	774,563 <sup>(c)</sup>	863,316 <sup>(c)</sup>	938,962 <sup>(c)</sup>	1,002,375	1,002,375
** Based on number of shares issued ('000)	229,500	405,000	668,250	1,002,375	1,002,375
<b>FINANCIAL RATIOS</b>					
(i) Return on total tangible assets (%)	13%	16%	13%	13%	6%
(ii) Return on shareholders' funds (%)	27%	20%	14%	14%	6%
(iii) Current ratio (times)	1.48	3.94	6.71	6.31	3.89
(iv) Gearing ratio (times)	0.47	0.10	0.05	0.05	0.04
(v) Gearing ratio net of cash (times)	0.09	N/A <sup>(d)</sup>	N/A <sup>(d)</sup>	N/A <sup>(d)</sup>	N/A <sup>(d)</sup>

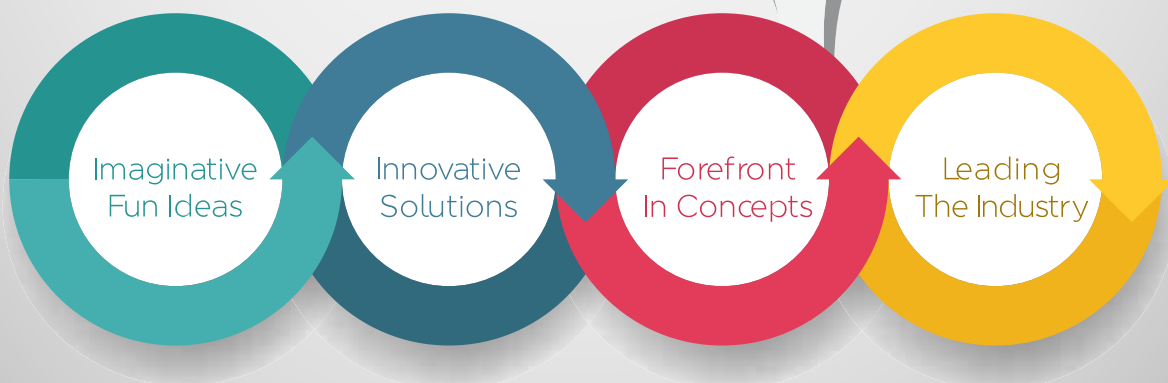
- (a) The figures as stated above for the financial years ended 30 June 2013 are consistent with the proforma consolidated financial information as disclosed in our Prospectus dated 11 October 2013. The proforma consolidation financial information have been prepared based on the assumption that the acquisition of subsidiaries have been in existence since the financial year 2013 and before the completion of Initial Public Offer and Bonus Issue. The accounting principles and bases applied are consistent with those adopted by Karex Group for the financial year ended 30 June 2017.
- (b) The figures for the financial year ended 30 June 2014 as stated above are based on a complete year basis, whereas the audited financial statements reflect the financial results from the effective date of acquisition i.e. 23 September 2013.
- (c) Restated to reflect the retrospective adjustments arising from the bonus issue completed in the financial year 2014 to 2016 in accordance with "MFRS 133, Earnings per Share".
- (d) 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)**

# INNOVATION

Innovation has and always will be at the forefront of **Karex's** values. We are committed to identify innovative ideas to distinguish ourselves from other manufacturers in the condom industry and to enable us to offer greater value to our customers.



# Key Strategies

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## Core Competencies

We continue to build on our manufacturing expertise as well as upgrade our facilities in order to incorporate greater degrees of automation and improve our efficiencies. The systems that we implement are aimed not only at improving cost competitiveness but also to shorten lead time and provide deliverables within competitive timeframes.

## Innovation

We believe innovation will continue to be the difference maker that distinguishes us as a condom maker. Our research and development efforts are aimed at expanding packaging and product varieties in order to cater to our customers' preferences that have been shifting towards pleasure products.

## Branding

Utilising a multiple brand portfolio, we strive to build value in the business through different segments of what is an increasingly stratified condom market. We have continued to expand our distribution and logistics networks to build a global platform in order to establish our Group as a holistic sexual wellness solution provider.

## Human Capital

We acknowledge hiring high calibre professionals is essential in order to develop the expertise our business requires and maintain our position at the forefront of the industry. We have also continued to focus on implementing and refining our training, development and retention schemes to nurture the talent that we have on hand into the next generation of leaders for our Group.

# Chairman's Statement







# Chairman's Statement

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Dear Valued Shareholders,

During the financial year, navigating the sexual wellness industry landscape was challenging especially when set against the backdrop of uncertainty in the global economy and volatility in latex prices. Nevertheless, we have made strategic long-term choices to strengthen our Group for long term sustainable growth.

For the financial year ended 30 June 2017, our Group recorded a revenue of RM361.5 million representing an improvement from the previous financial year largely attributable to the growth in sexual wellness division sales and contribution from our newly acquired subsidiary Pasante Healthcare Limited. In the absence of one off gains and limited foreign exchange currency gains as well as increased investment on expanding our own brand segment, we recorded a lower profit after tax of RM28.8 million.

Operationally, we continued to improve the efficiencies of our manufacturing facilities as well as innovate our product offerings, notably by producing our thinnest ever condoms to cater to consumer preferences. We also improved on the energy efficiencies across our four manufacturing facilities with the view of cultivating not only a long term sustainable business but one that is environmentally sustainable as well.

The Board has continued to maintain high standards of corporate governance to enhance performance as well as provide protection of our valued shareholders. We consistently conduct our operations in accordance with internationally accepted principles of good governance and best practice, whilst ensuring compliance with the corporate governance requirements.

In line with our dividend policy to distribute a minimum of 25% of our annual profit attributable to shareholders, we are proposing a dividend of 1.0 sen per share. If approved at our upcoming Annual General Meeting, the dividend will be paid to all shareholders on 18 December 2017.

On behalf of the Board, I would like to take this opportunity to thank our Chief Executive Officer, MK Goh and his team for their hard work and commitment over the past year. Our business would not be where it is today without the individual and collective efforts of our staff.

Finally, to all our shareholders, thank you once again for placing your faith in Karex, I look forward to seeing you at our Annual General Meeting.

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









# CEO's Statement

## Industry Overview

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The financial year ended 30 June 2017 ("FY 2017") proved to be extremely challenging. The global economy was adversely affected by the surprising results from the European Union referendum in the United Kingdom ("UK") leading to Brexit as well as the outcome of the United States ("US") presidential election. Coupled with the refugee crisis in Syria, many non-governmental organisations ("NGOs") faced uncertainty in securing budgets for humanitarian aid that has historically driven condom sales in the tender segment.

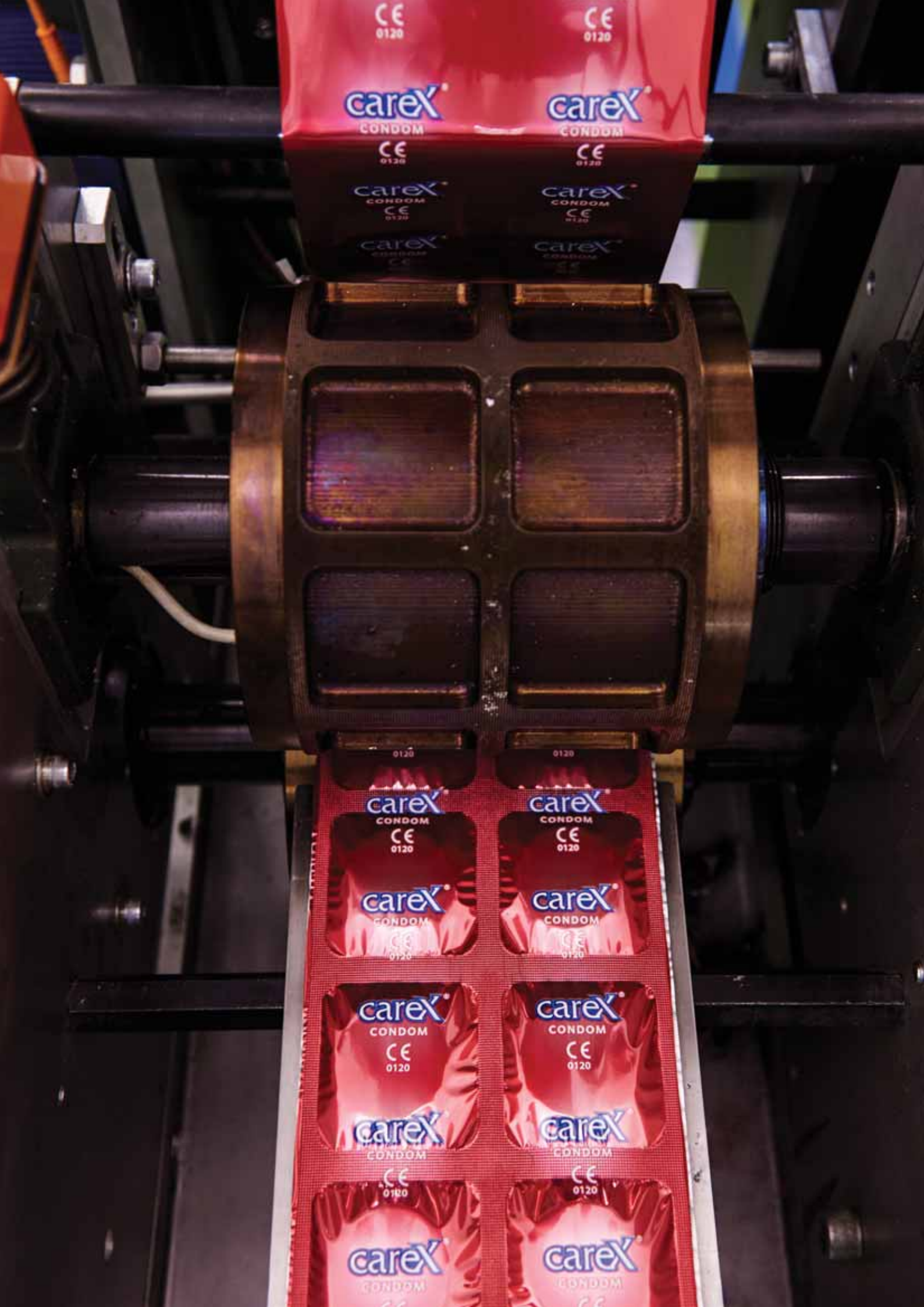
Closer to home, rubber product manufacturers in Malaysia had to contend with escalating production costs in the form of hikes in minimum wages whilst navigating severe volatility in latex prices during the year. The cumulative effect of these uncertainties set the tone for a year that constantly challenged our ability to adapt and evolve as an organisation.

In spite of the challenging macroeconomic landscape, condoms remain the only contraceptive method that provides protection against pregnancy and most sexually transmitted

infections. Governments and NGOs have continued their strong support for sexual health education and improving access to condoms, with the World Health Organisation most recently stating that "access to quality contraceptive services and information should be treated as a human right".

Whilst the United States National Center for Health Statistics recently completed a survey noting that condom use has increased in men by 14% since 2002, they also note that there remains plenty of room for improvement with only 34% of the men surveyed admitting to having used condoms during their last sexual encounter.

On that note, we remain confident that as sexual health education improves in tandem with a greater proportion of the global population arriving at sexual maturity, we are well positioned to take advantage of this growing industry. We believe our emphasis on quality and innovation will set us apart and allow us to deliver solutions to our customers that they will value in the years to come.



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## Operations Overview

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In FY 2017 our operations have seen many improvements, building on our core competencies and consolidating our position at the forefront of the sexual wellness industry.

The changes in the foreign labour policies as well as the rising minimum wages in Malaysia during the recent financial year have once again highlighted the importance of reducing our dependency on labour within our manufacturing facilities. To this note, we have continued to automate our manufacturing processes by adding more automated electronic testing machines with new features in a bid to improve efficiencies as well as to further reduce our dependency on manual labour.

Our latest dipping lines installed during the year incorporate next generation condom dipping technology which is 15% more energy efficient than conventional ones and have the capability to produce some of the thinnest condoms in the condom industry. In conjunction with this, we have also refined our latex formulations and production processes further this year to produce thinner condoms whilst enhancing some of the performance properties aimed at improving our customers' experiences.

In line with our goal to grow our Own Brand Manufacturing ("OBM") segment, we have added new packaging machines to cater more complicated and elaborate packaging, distinguishing our products from our peers. Through the inclusion of Pasante Healthcare Limited ("Pasante") we have also added distribution facilities and expertise to our ranks, allowing us to better serve our customers.

Our efforts to strive towards a more environmentally sustainable production process have also been bolstered with the installation of a state-of-the-art waste water treatment system in our Thailand factory, following which 75% of the treated water from the plant will be reused in future manufacturing processes as well as to maintain a vast greenbelt within the factory premises.

We have also started a dedicated rubber recycling facility to convert condom waste generated during the production process (test samples and rejects from electronic testing) to recycled rubber sheets. This initiative is the first of its kind in condom industry and ensures that the waste from our production processes is carefully handled and reusable following disposal.

## Global Protection Corporation

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The start of 2017 marked the 30<sup>th</sup> anniversary year for Global Protection Corporation ("GPC"). The year was marked with various new product developments, marketing campaigns and international expansion projects culminating in record sales for the year.

GPC's signature ONE® brand was updated with new, stylish packaging to stand out on retail shelves, in addition to new condom wrapper collections designed in partnership with various artists from across the world. ONE® expanded internationally by launching the brand in Superdrug stores in the UK and continued to develop marketing campaigns in the US, Malaysia and Canada. On the retail side, ONE® products were added to shelves in all 4,500 US Walmart stores, expanding their market presence across the US. GPC also won a 5-year condom and lubricant contract from the New York City Department of Health under the ONE® brand.

GPC is also now managing the popular Trustex, Fantasy, and NüVo condoms as members of its family of brands. This is part of GPC's shared mission with Karex to distribute an increasingly wide variety of sexual health products. Most recently, GPC was also preparing to launch myONE® Perfect Fit in the US, a revolutionary condom range offering 60 condom sizes. All these developments have solidified GPC's position as one of the largest condom company in the US health distribution arena.







Pasante®

Naturelle

natural feeling  
shaped fit

3  
condoms

## Pasante Healthcare Limited

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We are pleased to welcome Pasante to our Group with the completion of the acquisition on 1 July 2016. As one of the largest distributors of condoms in the UK, the Pasante team not only brings onboard a wealth of expertise through its experienced sales team, they have also provided us viable platform in Europe to contend tenders and move closer to consumers in the region.

Pasante has a diversified customer base having operated on a distribution model, exporting to various countries around the world. Notable domestic clients include the National Health Service as well as large retail chains such as Tesco, Boots, Superdrug and Costco in the UK. Pasante is also the sole official distributor of Sebamed® products and INSTI™ test kits in the UK.

Following the completion of the acquisition, we have been working alongside our new colleagues at Pasante to shift production back towards our facilities, streamline product offerings and strategise market expansion. Despite the economic effects of Brexit during the year, the results from our first year of collaboration has yielded extremely positive results with the Pasante team having achieved its highest ever sales total since incorporation in 2002.

## Financial Review and Management Discussion & Analysis

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In spite of the challenges faced during the financial year ended 30 June 2017, the Group continued to deliver topline growth with a revenue of RM361.5 million. We were able to maintain a gross profit margin of 31% despite the volatility in latex prices as well as changes to regulations relating to employing foreign labour in Malaysia.

Notwithstanding the above, we feel confident by successfully developing our OBM segment further, having integrated the intellectual property acquired from Line One Laboratories Inc. as well as Pasante recording its first full financial year of results following the completion of the £6.0 million acquisition on 1 July 2016.

Higher distribution and administrative expenses arising from inclusion of the OBM businesses above as well as the absence of one off gains and limited foreign exchange currency gains compared to the preceding year resulted in a decrease in both profit before tax and profit after tax to RM37.0 million and RM28.8 million respectively for the financial year.

In addition to the two acquisitions completed during the year, we have also continued to invest in improving our world class manufacturing facilities having spent a total of RM24.9 million on capital expenditure during the year bringing our total non-current assets for the year to RM298.9 million.

Following the completion of the acquisitions, we have fully utilised the funds raised during our private placement with cash balances standings at RM85.1 million as at 30 June 2017. The integration of Pasante's distribution business model has also resulted in an increase in our Group inventory levels to RM101.0 million, contributing to an increase in our total current assets for the year to RM294.8 million. An increase in trade and other payables resulted in higher total current liabilities of RM75.8 million which was necessary to accumulate the higher levels of inventory.

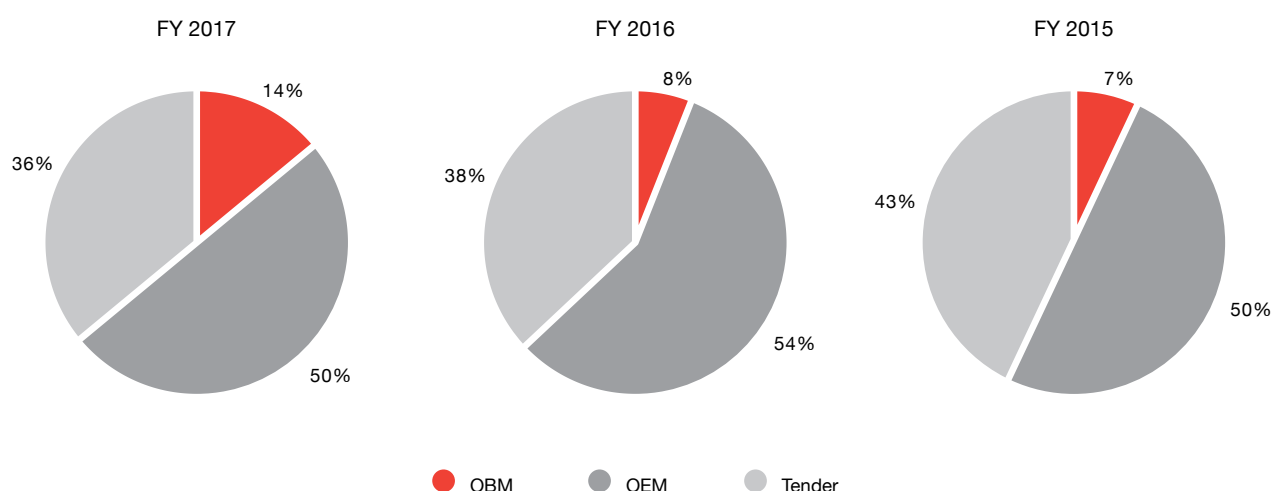
Earnings before interest, taxation, depreciation and amortisation stood at RM47.0 million whilst we have also maintained our net cash position of RM63.6 million. Shareholders' funds remained healthy, growing to RM496.6 million translating into a gearing ratio of 0.04x and leaving us well positioned to utilise our balance sheet should the need arise in the future.





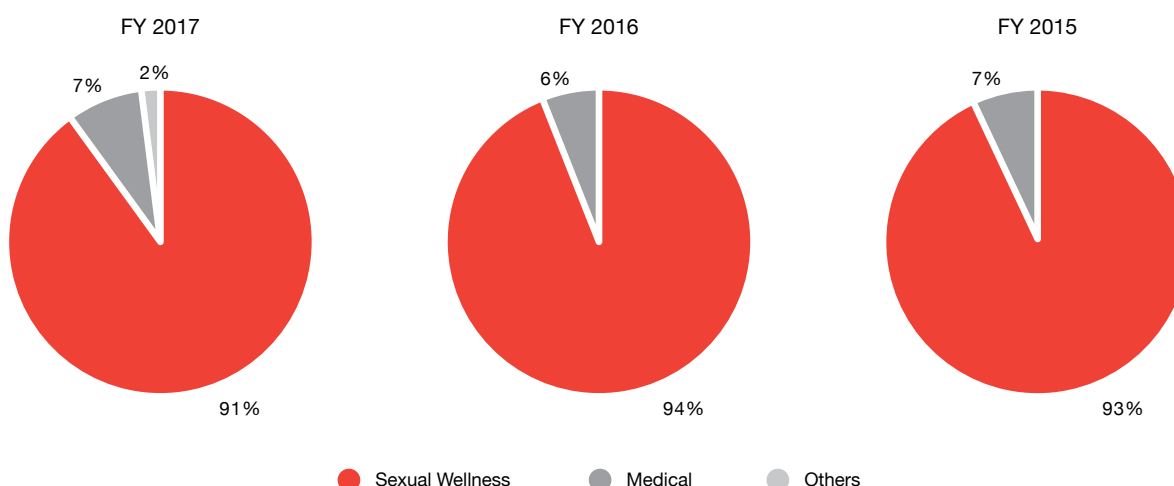
## Product Segments

In line with our overall strategy to position our Group as a leading sexual wellness solution provider, we have re-designated our revenue breakdown as it relates to product segments. Revenue from the sexual wellness segment comprises predominantly of revenue from condoms and lubricants whilst the medical segment comprises of revenue from probe covers, catheters and test kits. The remaining revenue is derived from sales of other products including our exclusive distributorship of Sebamed® products in the UK.



## Geographical Location

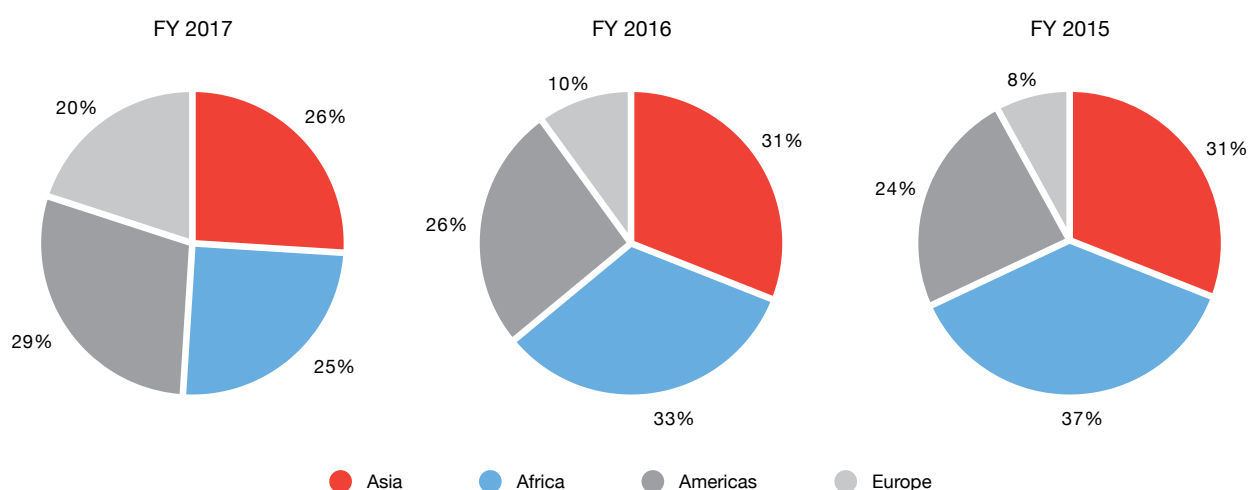
Following the acquisition of Pasante, we successfully established a platform for expansion into Europe as reflected by our highest annual contribution from the Europe region of approximately 20% of revenue for the financial year. This marks the highest revenue contribution that our Group has derived from the Europe region since our listing, leaving us optimistic about our potential to expand our foothold in the region during the years to come. The successful award of several notable tenders also further improved contribution from the Americas region from 26% to 29% of revenue during the financial year.



## Market Segments

The commercial segment (“OEM”) remained the top market segment in terms of revenue contribution with 50% contribution for the financial year. We have continued to develop long-standing business relationships with our customers by establishing a reputation for reliability and innovation. Our OBM segment continued to break new grounds with a record 14% of our revenue being derived from our brands this year.

The tender segment was adversely affected by the uncertainty in the global economy especially as to how budgets for humanitarian aid were allocated. Nevertheless, our strategy to capture tender orders at more competitive pricing during the challenging climate has facilitated the consolidation of the condom manufacturing industry.



## Branding

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In line with our strategies to develop our OBM segment, we have expanded our diverse team of experienced professionals to manage the branding needs of our organisation. The core objectives of the team are to define, enhance and elevate the equities of our brands.

Continuous efforts have been focused on developing an effective multiple brand strategy through thematic and tactical campaigns to build greater relevance to the younger generation and cultivate a loyal customer base. Corporate branding is aimed at building long-term sustainability and also helps in retaining staff and attracting a younger and more dynamic pool of talent.

Since the launch of ONE® Condoms in Malaysia, we have successfully introduced the brand to local consumers through traditional media, digital (including social media), on-ground activation activities and in-store trade promotions. These campaigns have resulted in ONE® Condoms capturing a top three market share of the premium condoms segment within two years of introduction into the Malaysian market.

Plans are already underway to build on this success and introduce the ONE® Condoms brand in the neighboring countries of Singapore and Thailand in the near future. The branding team will play a significant role to ensure the successful launch of the brand in those countries by engaging in concepts and personalities, analysing local market dynamics, opportunities and competitive landscapes. We are also currently looking into opportunities to introduce other brands from our OBM portfolio to the Asia Pacific region in the near term.





organisation that responds to changing  
views of sexual health and develops  
products that inspire people to make  
better, healthier choices.

We champion social responsibility and  
sustainability, not just as moral imperatives  
but to build better, stronger relationships  
within our communities.





## Sustainability

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Our vision is to accelerate growth in our business whilst remaining mindful to safeguard our long term future and conduct ourselves in a sustainable way.

Demand growth continues to outpace the available resources so it is critical that we succeed in optimising our consumption whilst prioritising sustainably sourced materials.

We are also committed to improving the well-being of the communities around us so that we progress successfully together.

Through this all, our people remain at the center of this business and we must ensure that their career development is constantly kept aligned with the objectives of our organisation.

To this end, we have this year introduced our Sustainability Statement covering how our organisation has addressed the Economic, Environmental, Social and Human Capital aspects of sustainability as part of this year's Annual Report.

## Outlook

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This has been an important year of change for our Group, not only due to challenges faced in navigating the economic landscape, but also the way that we operate as a business. Over the past 29 years, although Karex has never stood still, we have predominantly been a company focused on manufacturing. The period that followed our listing has seen Karex transform into a company that is able to offer our consumers solutions beyond manufacturing of quality condoms. We have built on our competitive strengths, innovated and developed a multiple brand portfolio, showcasing our ability to change and adapt.

Our success relies on knowing our customers better than anyone else. We must continue to strive to offer them what they want now and anticipate what they will want in the future. With so much opportunity identified across our Group and a set of key strategies in place to help us achieve them, we know this will be challenging work – and it will take time. Although there is still much to be done, we firmly believe that the path that we are taking will significantly enhance our ability to deliver long-term sustainable growth.

## Acknowledgement

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I would like to extend a warm welcome to our colleagues at Pasante and thank them in conjunction with the rest of our growing family for their continued efforts and the difference they make to our customers every day. Together with the key strategies that underpin our business, they truly differentiate us from our competitors.

Finally, I would also like to thank the Board for your guidance and commitment, and our shareholders, for your support over the past 12 months.

MK GOH  
Chief Executive Officer





# Sustainability Statement

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We recognise that creating shared value for shareholders, employees, consumers, customers and communities is critical to our long-term success. Consequently, we have integrated sustainability into all aspects of our strategic thinking, making long-term decisions that aim to build value over time.

The Board wishes to present to our valued stakeholders the present business practices in respect to the Economic, Environmental, Social and Human Capital aspects of sustainability and how these practices will ultimately grow our business in a sustainable manner moving forward.









DUNKIN'DONUTS



Budweiser

News Corporation



SONY  
PRESS AI



**ONE** Presents



**NEW** Senior Personal Lubricants

Available Now At

*Walgreens* **CVS**

Partners With 

Broadway

To W 45 St

ONLY

W 46 ST

AÉROPOSTALE

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# Sustainability in the Marketplace

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We have endeavored to expand our business by maintaining a sense of financial responsibility. Although we continue to have ambitious objectives for the business, we have managed expenses and spending levels in order to manage risks and ensure we will remain a force in the industry for years to come. We remain net cash generative from operations and maintain minimal debt on our balance sheet, giving us financial flexibility to undertake lucrative opportunities should we identify them. We have always prioritised staying true to our long term mission to build a holistic sexual wellness business over delivering short term financial results.

## Our Suppliers

In building a sustainable business we recognise that it is imperative that we grow with our suppliers. We have worked with local suppliers in Malaysia and Thailand to improve standards of quality, delivery timing and cost competitiveness throughout our supply chains. In doing so, not only have we created jobs and developed expertise for related industries in Malaysia and Thailand, we have also expanded their exposure to the standards set by the international business community.

## Research and Development

Continued investment is made to our research and development efforts. This is to ensure that we retain our competitive edge in building machinery, utilising cutting edge materials, maintaining the highest quality standards and of course offering our consumers the newest products on the market. This year marked the production of our thinnest ever natural latex condoms which are on par with some of the thinnest available on the market. Strides were also made in creating condoms that are more durable, softer and better lubricated – all features that are aimed at improving our customers' experiences.

## Industry Standards

We consistently work with regulators to develop condom standards to build consumer confidence and encourage members of future generations to use condoms as a moral imperative. Our management team remain active participants in the technical committees of international standard bodies as well as governmental and non-governmental councils such as the Malaysian Rubber Export Promotional Council. We have also worked alongside international organisations such as the Food and Drug Administration in the US to expand product scopes to accommodate a wider range of condom specifications. It is through the progression of standards that we hope to improve the public's confidence and sense of responsibility with regards to condom usage.

## Policies to Reduce Volatility

As our business primarily concerns exports, a large bulk of the revenue we receive is denominated in USD. Contrastingly, most of our costs are denominated in local currencies being the Malaysian Ringgit or Thai Baht. In a bid to reduce the volatility of our financial performance stemming from fluctuations in foreign exchange markets, we have as a matter of policy committed to hedge at least 75% of the revenue that we receive in foreign currency via the use of a variety of financial instruments.



# Environmental Sustainability

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Understanding our energy usage helps us to identify inefficiencies and opportunities for improvement across our operations and activities. Upgrading existing facilities and investing in energy efficient technologies not only improves the cost competitiveness of our business but allows us to expand in an environmentally responsible manner.

## Energy Management

In line with our Group's efforts to optimise our energy consumption, all of our manufacturing facilities have been accredited the ISO 14001 Environmental Management System certification. Continual efforts are put forth to improve resource efficiency, reduce waste and resultantly drive down costs.

Our recently completed Thailand facility represents the latest evolution in our continued efforts to improve environmental sustainability within our Group. The factory boasts cutting edge technology aimed at utilising natural lighting and air pressure systems, recycling heat and reprocessing water to create an environment that is both comfortable for our staff and at the same time sets a benchmark for environmentally conscious manufacturing. The facility has been successfully accredited the ISO 50001 Energy Management System certification and is in the process of being certified Leadership in Energy & Environmental Design ("LEED") by the US Green Building Council.

We are constantly searching for ways to be more efficient with regards to our raw material usage and our energy consumption. Our newest dipping machines consume 15% less energy than conventional dipping machines and are calibrated to cater for the growing preference for ultra-thin condoms in the market. These new machines require less heat during the dipping process and resultantly are also able to produce our thinnest and lightest condoms.

We have also implemented schemes to incentivise suppliers and customers to adopt more environmentally friendly packaging such as those that incorporate recycled paper and/or Forest Stewardship Council ("FSC") certified materials. In addition to this, we have also worked with our suppliers and logistics providers to devise transportation methods that consume less packaging in order to reduce our carbon footprint. At present, over 75% of our paper based packaging materials are being made using recycled pulp.

## Waste Treatment

International condom regulations prescribe a minimum amount of condoms that are required to be subject to destructive testing leading to a significant amount of rubber waste being generated. This waste is treated in our plants using specially designed rubber recycling facilities to produce usable dry rubber sheets. These sheets are not only reusable in other rubber industries but they also eliminate the need for landfills or chemical disposals that are extremely damaging to the environment.

We continue to invest in water treatment facilities that are able to filter the water from the initial dipping process of condom production to be used in other areas of our manufacturing process such as in-house irrigation or in cleaning procedures. Our Thailand facility in particular boasts a state-of-the-art water treatment plant that is able to recycle over 75% of the water waste from the manufacturing process.









# Sustainability in Our Communities

Through our contracts with governments, NGOs and tender organisations, we have improved access to affordable and reliable condoms as well as helped to encourage the use of condoms around the world. Our passion extends beyond achieving our business objectives, we aim to build meaningful relationships with our customers and communities, positively impacting those in need through fundraising, volunteering, donations and by building awareness.

## Education

We recognise that improving education and de-stigmatising condom usage particularly amongst the youth will be key in the global fight against HIV/AIDs. We have recently collaborated with Design Industries Foundation Fighting AIDS (“DIFFA”) to create ONE Makes a DIFFArence, an educational program in which professional and student artists create original works of art to benefit DIFFA’s work. As part of the program, ONE and DIFFA educated the New York City youth about sexual health in selected high schools and after-school programs.

Through GPC, we have also continued to advocate safer sex through community involvement programs such as Momentum that encourage youths in the US to participate in educational discussions on safer sex in exchange for rewards. This successful program continues to welcome 500 new users a month.

## Local Communities

During the year, we have also continued to support causes close to our hearts in the local community with continued donations to the Good Samaritan Orphanage, Lung Foundation of Malaysia and support of a local school for children with special needs (Sekolah Khas Klang). Some of the activities organised include visits to our facilities for underprivileged children during which they were provided with supplies, food and stationary. We have also organised and conducted blood donation drives as continued support for the local hospitals in the vicinity of our facilities.

We have also raised funds to set up and equip a new centre for Pertubuhan Kesihatan Dan Kebajikan Umum Malaysia (“PKKUM”). PKKUM is an organisation which runs drop-in centre for HIV-positive women and has been providing support for the HIV positive community in the form of free access to condoms as well as shelter for victims.

## Perception of Condoms

This year our condom wrapper designs in the US extended to Canada in partnership with the Toronto Public Health and Canada’s 150<sup>th</sup> Anniversary. Winners not only got their designs printed on condom wrappers, they also got to donate condoms to their favourite health organisations. The use of art and design has helped to make condoms more approachable and facilitated discussions about sexual health issues around the world today.

## Access to Condoms

In addition to our continued commitment to promoting sexual health education and creating awareness, we have also strived to improve access to condoms by donating condoms and lubricants to notable causes around the world such as the United Nations Population Fund, PT Foundation (Malaysia), Phuket Loves You Club (Thailand) as well as various high schools, LGBTQ centers and reproductive health organisations in the US.

## Charity

In conjunction with World AIDS Day, we hosted a charity art auction entitled “Arts Against AIDS” to raise funds and educate the public on this deadly disease. This event brought together local artists such as Haris Rashid, Ahmad Zakii, Meriam Omar, Jane Yap and Kenji Chai in Malaysia to raise a total of RM260,000 for various welfare organisations such as the PT Foundation, PKKUM, Kuala Lumpur AIDS Support Services and Rumah WAKE with the mission of championing women’s rights and education of HIV/AIDS among the public.

# Sustainability in our Workplace

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We believe that human capital plays an integral role and is vital in achieving our business, operational and financial objectives. We have a long term vision in partnership with our employees to create an environment where they are able to thrive and are equipped to deliver sustained high performance to the best of their abilities.

## Attracting and Developing Talent

We recognise the need to remain competitive in attracting and motivating high calibre talent as well as creating a work environment where all employees can succeed based on merit. We embrace an integrated rewards strategy that focuses on providing the right remuneration, benefits and career development and progression opportunities to help our employees to achieve their personal and professional aspirations.

Our talent development activities are focused on building leadership capabilities and fostering an environment that supports sustainable performance whilst promoting continuous professional and personal development at all levels.

## Our People

We believe that strong personal bonds between colleagues leads to better teamwork. We have continued to organise various teambuilding activities as well as host meetings at each of our different facilities on a rotation basis in order to encourage harmonization of the working culture within our organisation. We have taken great efforts to create a conducive and comfortable working environment at each of our facilities with modern meeting rooms, congregation areas as well as the provision of weekly free breakfasts that are aimed at improving communications between coworkers.

Beyond our workplace, we have also participated in several corporate events including Bursa Malaysia Securities Berhad's annual Bull Charge event as well as the Kuala Lumpur Rat Race 2017 in order to improve networking between industry peers whilst raising money for charity.

As a substantial portion of our workers are foreigners, we are also mindful to continuously respect the rights and cultures of our foreign employees. Not only do we provide them with socially ethical lodging, accommodation and access to amenities, we also strive to ensure that they are treated without any discrimination. We maintain a very strong stance against human trafficking and exploitation.

## Diversity

We acknowledge that diversity is another critical component to build a sustainable future. We are committed to cultivating a culture that respects and embraces the diversity of employees and where people are inspired to be the best they can be. We aim to provide equal opportunities to our staff regardless of their age, ethnicity, race, gender, sexual orientation or beliefs and backgrounds.

We believe that by employing and providing equal opportunities to people with different experiences, backgrounds and talent, we are better able to cater for the diverse customer base and communities we serve in the sexual wellness industry. We continue to ensure that equal opportunities are given to all our staff all the way through the ranks.

## Health and Safety

As the world's leading condom manufacturer, we are also committed to observing the highest health and safety practices in order to ensure our employees are able to have confidence and comfort in their working environment at all times. We consistently educate new staff and conduct refresher training for our operators to emphasise the importance of adhering to the most stringent of safety procedures. We constantly evaluate our safety programmes covering a range of procedures including but not limited to emergency response, first-aid, evacuation, fire-fighting and crime prevention.

We also take special care to ensure that all our employees have access to appropriate medical facilities and safety equipment. Our Group also subscribes to health insurance and medical care for our staff to provide immediate assistance in the event of emergencies.





# Board of Directors





**From left to right:** Lam Jiuan Jiuan, Wong Yien Kim, Tan Sri Dato' Seri Utama Arshad Bin Ayub, Goh Leng Kian, Dato' Dr. Ong Eng Long @ Ong Siew Chuan, Goh Siang, Law Ngee Song, Goh Yen Yen



# Profile Of Board Of Directors

**Tan Sri Dato'  
Seri Utama  
Arshad Bin Ayub**

Malaysian, Male, Aged 89  
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, Advisor 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-owned company) and Nakagawa Rubber Industries Sdn. Bhd.

He has attended all the Board Meetings held during the financial year ended 30 June 2017. 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 2017. The particulars of his shareholdings are set out on page 165 of this Annual Report.



**Dato' Dr.  
Ong Eng Long @  
Ong Siew Chuan**

Malaysian, Male, Aged 73  
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 Advisor 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 all Board Meetings held during the financial year ended 30 June 2017. 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 2017. The particulars of his shareholdings are set out on page 165 of this Annual Report.







## Goh Siang

Malaysian, Male, Aged 67  
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 of 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 2017. Goh Leng Kian, Goh Yen Yen and Lam Jiuan Jiuan 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 2017. The particulars of his shareholdings are set out on page 165 of this Annual Report.



## Goh Leng Kian

Malaysian, Male, Aged 62  
Executive Director,  
Technical and R&D

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Goh Leng Kian was appointed to the Board on 27 September 2012 as our Executive Director in Technical and Research and Development (“R&D”). He has over 30 years of experience in the rubber and latex industry.

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 equipments, systems as well as the facilities of the projects.

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 2017. Goh Siang, Goh Yen Yen and Lam Jiuan Jiuan 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 2017. The particulars of his shareholdings are set out on page 165 of this Annual Report.











## Goh Yen Yen

Malaysian, Female, Aged 74  
Executive Director,  
Administration

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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 2017. 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 2017. The particulars of her shareholdings are set out on page 165 of this Annual Report.





## Lam Jiuan Jiuan

Australian, Female, Aged 65  
Non-Independent  
Non-Executive Director

Lam Jiuan Jiuan 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 Jiuan Jiuan 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, 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 had since retired in 2016. She has subsequently taken up a part time position in the Hong Kong Office of Zedra Group, a major independent trust, corporate and fund services group, as Private Clients Advisors.

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 all Board Meetings held during the financial year ended 30 June 2017. 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 2017. The particulars of her shareholdings are set out on page 165 of this Annual Report.



### Wong Yien Kim

Malaysian, Male, Aged 63  
Independent  
Non-Executive Director

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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 2017. 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 2017.









## Law Ngee Song

Malaysian, Male, Aged 51  
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, Remuneration Committee and Risk Management 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 2017. 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 2017. The particulars of his shareholdings are set out on page 165 of this Annual Report.





## Goh Miah Kiat

Malaysian, Male, Aged 39  
Chief Executive Officer

# CEO's Profile

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

He was named winner of the Master and Overall categories of the Ernst & Young Entrepreneur Of The Year 2016 Malaysia award.

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 2017. The particulars of his shareholdings are set out on page 166 of this Annual Report.







# Profile Of Key Management





## Thirumal Senthilkumar

Indian, Male, Aged 48  
Chief Operations Officer

Thirumal Senthilkumar was appointed as our Chief Operations Officer in August 2015. He holds a Master of Science in Organic Chemistry from Annamalai University, India. He began his career with TTK-LIG Limited, a condom manufacturer in India and has since accumulated over 23 years of international condom manufacturing experience in the fields of latex formulation, production, technical, quality control, regulatory affairs and international marketing. Senthil has in-depth knowledge and experience in SPC, Six Sigma and LEAN Manufacturing practices. He is a technical expert in ISO TC / 157 representing Malaysia and active participant in developing national and international standard for mechanical contraceptives.

Senthil has a vast experience in working with condom factories in Malaysia, Thailand and India, including being employed as a General Manager in Ansell plant. He joined the Karex family in 2011 as a General Manager of Innolatex Thailand Limited, Hatyai and played a vital role in transforming our Hatyai factory into one of the best condom manufacturing facilities. In August 2015, Senthil was appointed as our Chief Operations Officer, thus taking care of the operations of our manufacturing facilities in Malaysia and Thailand.

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 2017.







## Goh Chok Siang

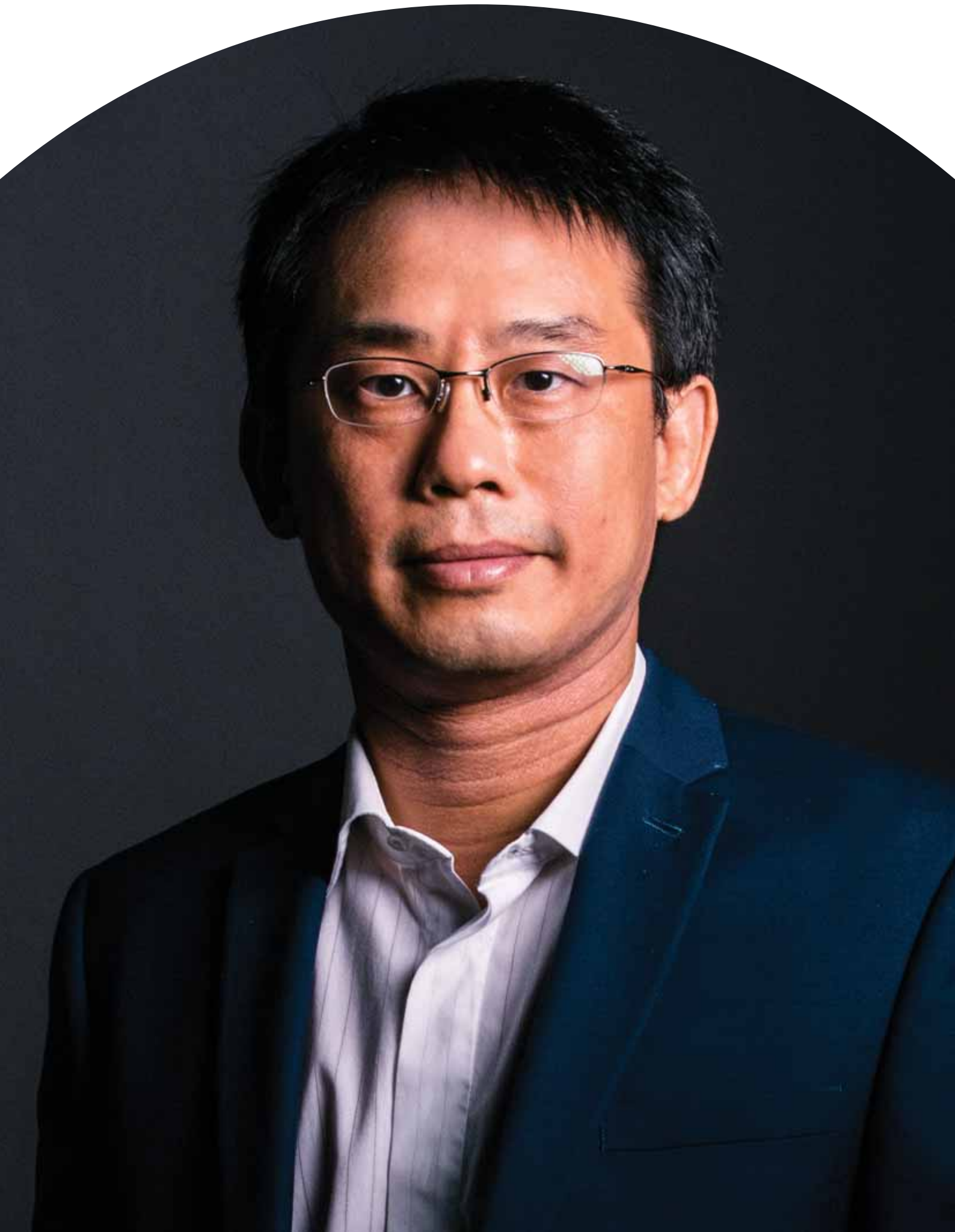
Malaysian, Male, Aged 46  
Chief Financial Officer

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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 2017.







## Leong Weng Hong

Malaysian, Male, Aged 45  
Chief Human Resources Officer

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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 2017.



## Wong Your Can

Malaysian, Male, Aged 40  
Chief Strategy Officer

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Wong Your Can was appointed as our Chief Strategy Officer in October 2016. He holds a Bachelor of Business in Accountancy from RMIT University, Melbourne, Australia. He obtained his professional qualification from the Certified Public Accountant Board, Australia and is currently a Chartered Accountant with the Malaysian Institute of Accountants.

He began his career in the financial services industry with roles in financial reporting and assurance, gaining exposure across various industries. Following that, he accumulated working experience in the corporate finance space having raised funds in both the equity capital markets as well as debt capital markets. He was also involved in originating and executing a number of mergers and acquisitions.

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 2017.







## Goh Yin

Malaysian, Female, Aged 69  
Group Quality Assurance Director

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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 2017.

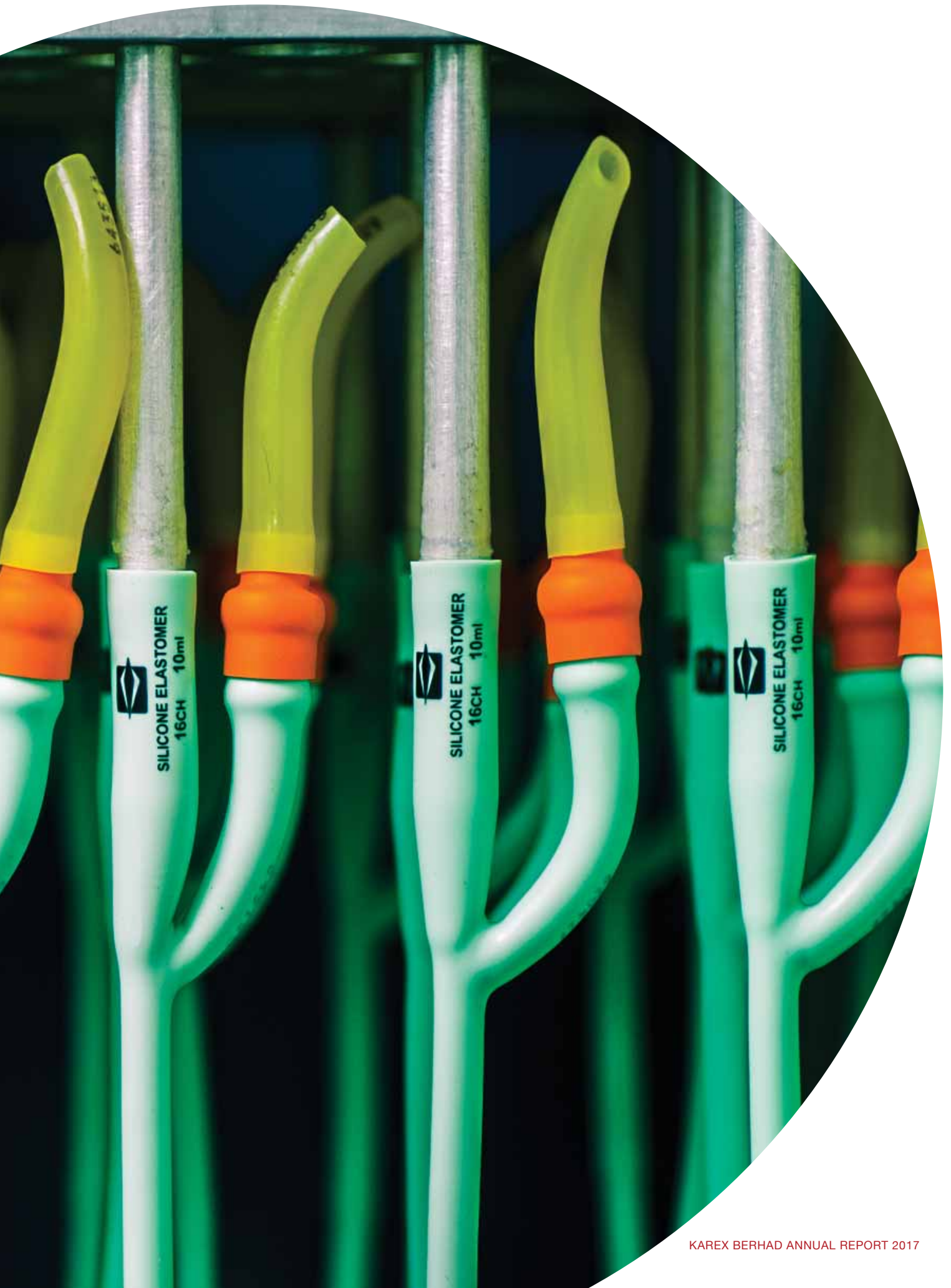


# Statement On Corporate Governance

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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 will result in sustainable long-term growth, stronger safeguards for the interest of all stakeholders and enhance both shareholders’ value as well as the Group’s financial performance. To this end, the Board will continue to embrace the principles of the new Malaysian Code on Corporate Governance 2017 in the upcoming financial year.





# Statement On Corporate Governance

## BOARD OF DIRECTORS

It is the overall governance responsibilities of the Board to lead and control the Group. The Board overseeing the strategic direction, development and control of the Group has embraced the responsibilities listed in the Code to effectively discharge 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 judgement to safeguard the interests of the shareholders. The CEO informs the Board of 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 and 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 defined and 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 for assessing its own performance and that of its individual directors.

In addition, the Board has defined a Schedule for Matters Reserved detailing the areas of decision that require its approval. Key matters such as approval of annual and interim results, acquisitions and disposals, appointment of Chief Executives, Board Policies 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 Group.

There are various board policies recommended in the Code. Other than Board Charter and Schedule of Matters Reserved, the Board had formalised its policies on Code of Ethics, Corporate Disclosure, Evaluation of External Auditors, Diversity, Whistle Blowing, and Management Succession for governing the functionality of Board proceedings. All of the policies mentioned above are published in the corporate website of the Company at [www.karex.com.my](http://www.karex.com.my).

During the financial year, key agenda deliberated in the Board's meetings are as follows:

- i. The quarterly results announcements, financial statements and disclosures, related party transactions, Board governance agenda and audit matters;
- ii. Feasibility studies for the proposed acquisition of new businesses and assets, financing plans, rationale and benefits of such acquisitions to the Group;
- iii. Performance evaluation of the Board, Board Committees and Individual Directors; and
- iv. Annual audited financial statements and disclosures made in the Annual Report.

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.

## 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 ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). 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 fairly reflect 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. Presently, the Board has two (2) female directors, which makes up of one quarter (1/4) of the Board composition. The Board embraces diversity in the boardroom and views diversity as an imperative and believes that diversity is required to support the execution of its business strategy. Accordingly, the Board does not discriminate any board member and board candidate on the grounds of race, gender, nationality, religious, sexual orientation and family status.

Descriptions of the background of each director are presented on pages 52 to 67 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, Nomination Committee, Remuneration Committee and Risk Management 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 92 to 93.

#### **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 current members of the NC comprising of a majority of Independent Non-Executive Directors are as follows:

	<b>NAME</b>
Chairman:	Law Ngee Song
Members:	Wong Yien Kim
	Lam Juan Juan

The Board recognises the value of appointing individual directors who bring a diversity of opinions, perspectives, skills, experiences, backgrounds and orientations to its discussions and its decision-making processes. In this context, and with the Board's mandate, the NC establishes criteria to appraise its Board members focusing on:

- Constructive interaction during board meetings
- Quality inputs and sharing of insights on board agenda
- Board meeting attendance and preparation
- Independence for independent directors

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 had conducted a meeting on 29<sup>th</sup> August 2016 to deliberate the performance appraisals approaches for the Board, Board Committees and individual directors, the independence of independent directors and the performance assessment of Chief Financial Officer.

Going forward, the NC will also conduct performance assessments on key executives in the forthcoming financial year.

#### **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:

	<b>NAME</b>
Chairman:	Tan Sri Dato' Seri Utama Arshad bin Ayub
Members:	Law Ngee Song
	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 recommended to the Board by RC. 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 29<sup>th</sup> August 2016 to review and recommend the adjustment of directors' remunerations and fees for the Board and shareholders' approval respectively.

## 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 assets. The RMC is established to assist the Board to oversee the implementation of a 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 present members of the RMC are as follows:

	NAME
Chairwoman:	Lam Jiuan Jiuan
Members:	Dato' Dr. Ong Eng Long @ Ong Siew Chuan
	Law Ngee Song
	Goh Miah Kiat
	Goh Chok Siang

## RE-ELECTION OF DIRECTORS

In conjunction with the application of the new Companies Act 2016, the Company's Constitution stipulates 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.

## COMPANY SECRETARY

All Board members have unrestricted access to the advices and services of the Company Secretaries 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 Secretaries appointed should be suitably qualified and competent in order to support the Board in carrying out its roles and responsibilities.

The Company Secretaries are 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 Secretaries ensure 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 the 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. Also, all Directors 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.

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

- Subject to Board justification and shareholders' approval, tenure of Independent Directors should not exceed a cumulative term of nine (9) years; and
- 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, skill and diligence. Individual members of the Board are required to inform the Board before accepting new appointments and to communicate the time he/she expects to spend of the new appointment.

During the financial year, five (5) Board meetings were held and were attended by all the Board members.

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 <i>[Independent Non-Executive Director]</i>	<ul style="list-style-type: none"> <li>Bank Negara – Economic Governance: “Public Sector &amp; Governance”</li> <li>Bank Negara – BNM Governors Address “The Malaysian Economy &amp; Panel Discussion”</li> <li>Security Commission – Panel Discussion “The Malaysian Code on Corporate Governance”</li> </ul>
Dato' Dr. Ong Eng Long @ Ong Siew Chuan <i>[Senior Independent Non-Executive Director]</i>	<ul style="list-style-type: none"> <li>The 33<sup>rd</sup> Meeting of ISO/TC 157 on Non-Systemic Contraceptives and STI Barrier Prophylactics</li> <li>Global Rubber Conference 2016</li> <li>The 64<sup>th</sup> meeting of ISO/TC 45 on Rubber &amp; Rubber Product</li> <li>International Rubber Industry Conference &amp; Exhibition 2017</li> </ul>
Goh Siang <i>[Senior Executive Director]</i>	<ul style="list-style-type: none"> <li>Good Corporate Etiquette for Senior Management</li> <li>Industry 4.0 Workshop</li> </ul>
Goh Leng Kian <i>[Executive Director]</i>	<ul style="list-style-type: none"> <li>Good Corporate Etiquette for Senior Management</li> <li>Industry 4.0 Workshop</li> </ul>
Goh Yen Yen <i>[Executive Director]</i>	<ul style="list-style-type: none"> <li>Good Corporate Etiquette for Senior Management</li> </ul>
Lam Jiu-an Jiu-an <i>[Non-Independent Non-Executive Director]</i>	<ul style="list-style-type: none"> <li>Credit Suisse Asian Investment Conference</li> </ul>
Wong Yien Kim <i>[Independent Non-Executive Director]</i>	<ul style="list-style-type: none"> <li>Leadership Excellence from the Chair by Bursa</li> <li>Fraud Risk Management workshop by Bursa</li> <li>Companies Act 2016 – Key insights and implication for Directors, Auditors/Accountants &amp; Company Secretaries by MIA</li> </ul>
Law Ngee Song <i>[Independent Non-Executive Director]</i>	<ul style="list-style-type: none"> <li>Impact and Compliance of New Laws and Regulations under the Companies Act 2016 in Malaysia</li> </ul>

# Statement On Corporate Governance

The Company Secretaries regularly update the relevant guidelines on statutory and regulatory requirements from time to time for the Board's reference and brief 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 of the Group.

## DIRECTORS' REMUNERATION

The Board's policy is to adhere to the MMLR regarding the disclosure of director's remuneration under Paragraph 11 of Appendix 9C Part A on the Contents of Annual Report. 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 2017 is as follows:-

	GROUP		COMPANY
	EXECUTIVE DIRECTOR (RM'000)	NON-EXECUTIVE DIRECTOR (RM'000)	NON-EXECUTIVE DIRECTOR (RM'000)
Salaries, Bonus, and EPF	1,891	–	–
Fees	–	410	410
Other Emoluments	41	–	–
Total	1,932	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 400,000	–	–	–
400,001 to 450,000	1	–	–
450,001 to 650,000	–	–	–
650,001 to 700,000	1	–	–
700,001 to 750,000	–	–	–
750,001 to 800,000	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 2016 and the 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 convenes 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.

KPMG PLT, the existing External Auditors of the Company, has in place a 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 costs of managing and treating risks, and the anticipated benefits that may be derived.

Management meetings are called and used by the Executive Directors and CEO as a means of communication and channel for reviewing, monitoring, providing feedbacks and deciding on the business developments as well as changes and actions to ensure businesses are under control.

The Board is assisted by the RMC 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 95 to 97.

## **CORPORATE DISCLOSURE**

Corporate disclosure and information is 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. 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 features on the website are available for the public to utilise.

## **SUSTAINABILITY**

Promoting sustainability is part of the corporate responsibilities of the Group. The Board requires its business units to promote appropriate environmentally friendly practices within the Group as well as the business, industry and regulatory environments in which the Group's businesses operate. The details of the sustainability initiatives undertaken by the Group are reported on pages 40 to 49.

## **SHAREHOLDERS' RIGHT**

Transparency and accountability are important to communicate the Group's performance and major developments to 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 constantly available on the Company's website at [www.karex.com.my](http://www.karex.com.my).

The Board also responds 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 required. General meetings are an important avenue through which shareholders can exercise their rights and express their opinions. The Board ensures the 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.

# Statement On Corporate Governance

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In line with Paragraph 8.29A(1) of the MMLR, the Company has implemented poll voting for all the resolutions set out in the Notice of AGM. In addition, the Company also appointed independent scrutineers to validate the vote cast during the last AGM.

## **WHISTLE BLOWING CHANNEL**

The channel for communication for whistleblowing can be made to the Board Chairman, Audit Committee Chairman or Senior Independent Non-Executive Director by emailing to [karex@whistleblower.com.my](mailto:karex@whistleblower.com.my) or post to PO Box #911, L2-08, Level 2, Cheras Leisure Mall, Jalan Manis 6, Taman Segar, 56100 Kuala Lumpur.

Whistle-blowers are required to identify themselves in order for the Board to accord the necessary protection to him or her. However, the Board reserves its right to investigate any allegation communicated by anonymous whistle-blowers.

## **COMPLIANCE STATEMENT**

The Group has complied substantially with the Principles and Recommendations of the Code, insofar as applicable and described herein, during the financial year ended 30 June 2017 and up-to-date.

This statement is made in accordance with a resolution of the Board dated 9 October 2017.

# Additional Compliance Information

## 1. UTILISATION OF PROCEEDS

There were no proceeds raised from any corporate proposals during the financial year.

## 2. AUDIT AND NON-AUDIT FEES

For the financial year ended 30 June 2017, the amount of audit and non-audit fees paid by the Company and the Group to KPMG PLT are as follows:

	GROUP RM'000	COMPANY RM'000
Audit fees	387	85
Non audit fees	6	–

## 3. VARIATION OF RESULTS

The audited financial results for the financial year ended 30 June 2017 did not differ by 10% or more from the unaudited full financial year's results previously announced on 29 August 2017 to Bursa Securities.

## 4. MATERIAL CONTRACTS

There were no material contracts entered into by the Group involving the interest of Directors and Major Shareholders, either still subsisting as at the end of the current financial year or entered into since the end of the previous financial period.

## 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 2017.

## COMPOSITION AND MEETINGS

As at the date of this Annual Report, the Audit Committee (“AC”) comprises four (4) Directors who are independent and non-executive directors.

The AC met five (5) times during the financial year ended 30 June 2017 and the details of their attendance are as follows:

	NAME OF DIRECTOR	ATTENDANCE
Chairman:	Wong Yien Kim <i>[Independent Non-Executive Director]</i>	5/5
Members:	Tan Sri Dato’ Seri Utama Arshad Bin Ayub <i>[Independent Non-Executive Director]</i>	5/5
	Dato’ Dr Ong Eng Long @ Ong Siew Chuan <i>[Senior Independent Non-Executive Director]</i>	5/5
	Law Ngee Song <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) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

Details of the members of the AC are contained in the Profile of Directors as set out on pages 52 to 67 of this Annual Report.

## TERMS OF REFERENCE

The Terms of Reference of AC are available in the corporate website of the Company at [www.karex.com.my](http://www.karex.com.my). During the year, these terms of reference were updated in accordance with the new amendments by Bursa Securities in the MMLR provision. This provision requires the audit committee of the listed issuer to review and highlight significant matters to the Board which include financial reporting issues, significant judgements made by management, significant and unusual events or transactions as well as how these significant matters are being addressed.

During the financial year, the Board had reviewed the performance and effectiveness of the AC and its members in discharging their functions, duties and responsibilities under the AC’s Terms of Reference.

## SUMMARY OF WORK

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

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

During the financial year, the AC had:

- Deliberated the significant transactions and changes in the accounts and considered their impact on the disclosure and presentations of the Group’s financial position and performance when reviewing the Group’s unaudited quarterly financial reports, disclosures and announcements for the respective financial quarters. These deliberations were also made in consideration of the approved financial reporting standards and the applicable provisions of the MMLR; and
- Reviewed the audited financial statements for the financial year ended 30 June 2016 and discussed with the Management and External Auditors on the accounting principles and standards that were applied in the annual audited financial statements. As part of this review, the AC also considered:
  - changes in and implementation of major accounting policies and practices to the Group;
  - significant matters and unusual events or transactions highlighted by the External Auditors; and
  - how these significant matters were addressed including the judgement of those involved and reservations, if any arising from the audit.

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

In discharging their duty with respect to this responsibility, the AC had during the financial year:

- Reviewed the audit plan of the External Auditors covering 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 assess the assistance given by management to the External Auditors. This private discussion ensured that all issues, if any were being objectively brought up to the attention of the AC; and
- (d) Considered the re-appointment of External Auditors and their audit fees, after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of their audit, before recommending to the Board for approval.

**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:**

With respect to responsibility, the AC had:

- (a) Reviewed and approved the internal audit plan to ensure that the direction of the audit and risk assessment is appropriate to the environment in which the Group operates in;
- (b) Discussed with the Internal Auditors on the progress and coverage of the audit plan in its quarterly meetings to ensure that the audit direction remains relevant taking into consideration any significant changes in the Group's operating environment;
- (c) Deliberated the internal audit reports, the impact of the audit findings and the corresponding recommendations for improvement. In order to obtain a fair and balanced view, relevant responsible members of management were also invited to attend the AC meeting to provide clarifications on issues raised in the reports;
- (d) Followed-up on the past audit findings and on the status of management implementation of action plans in order to ensure clear directional communication of the audit findings; and
- (e) Reviewed the adequacy of the scope and competency of the internal audit function, and the results of the internal audit process to ensure that appropriate actions are taken following the recommendations of the internal audit function.

**Overseeing the Governance Practices in the Company:**

Apart from its duties with respect to the financial statements and the External and Internal Auditors, the AC is also involved in reviewing the corporate governance practice of the Group. To this end, the AC had:

- (a) Reviewed the Corporate Governance Statement, AC Report and Statement on Risk Management and Internal Control together with Management before recommending them to the Board for approval and inclusion in the Annual Report; and
- (b) Considered related and recurrent related party transactions and ensured that these transactions were transacted at arm's length basis and are not detrimental to the interests of minority shareholders.

**INTERNAL AUDIT FUNCTION**

The Group's internal audit function is outsourced to IA Essential Sdn Bhd, an independent internal audit professional service firm. The Internal Auditors 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 Internal Auditors have performed their work in accordance with the principles of the international professional practice framework on internal auditing covering the conduct of audit planning, execution, documentations, communication of findings and consultation with key stakeholders on the audit concerns. In order to ensure that the audit focus is on relevant and appropriate risk areas, an internal audit plan was developed upon consultation with management, taking into consideration the Group's structure, concerns and the challenges faced. The proposed internal audit plan was presented to the AC for deliberation and approval before internal audit reviews were carried out.

During the financial year ended 30 June 2017, the Internal Auditors had reported to the AC during the AC's quarterly meetings on the audit findings and areas of improvement for the key business processes and functions. 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 implementations of the agreed audit recommendations.

The accrued fee for internal audit function of the Group for the financial year ended 30 June 2017 was RM80,000.

This report is made in accordance with the resolution of the Board dated 9 October 2017.

# Directors' Responsibility Statement

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The Directors are required by the Companies Act 2016 ("CA") to prepare the financial statements for each financial year which have been made out in accordance with applicable Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards (IFRSs), the requirements of the CA in Malaysia, and the Main Market Listing Requirements.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements for the year ended 30 June 2017, the Directors have:

- adopted appropriate accounting policies and then applied them consistently;
- made judgements and estimates that are prudent and reasonable; and
- prepared the financial statements on the going concern basis.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the CA.

The Directors are also 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 2017. 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 shareholders’ investments and the Group’s assets. The Board also understands the principal risks of the business that the Group is engaged in and accepts the importance of balancing risks and returns in order to maximise return to the shareholders.

Principally, the Guideline suggests that the Board shall:

- 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 risks are managed appropriately.

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has established a Risk Management Committee (“RMC”) which is supported by the Risk Management Working Group (“RMWG”) comprising all five C-suite personnel, i.e. Chief Executive Officer (“CEO”), Chief Operations Officer, Chief Financial Officer (“CFO”), Chief Strategy Officer and Chief Human Resources Officer.

The present members of the RMC are as follows:

	NAME
Chairwoman:	Lam Jiuan Jiuan <i>[Non-Independent Non-Executive Director]</i>
Members:	Dato’ Dr. Ong Eng Long @ Ong Siew Chuan <i>[Senior Independent Non-Executive Director]</i>
	Law Ngee Song <i>[Independent Non-Executive Director]</i>
	Goh Miah Kiat <i>[Chief Executive Officer]</i>
	Goh Chok Siang <i>[Chief Financial Officer]</i>

In providing assurance to the Board on the Group’s adequacy and effectiveness of risk management, the RMC is responsible to identify the risk appetite which commensurate with the structure, risk profile, complexity, activities and size of the Group. RMC conducts their meetings and continues to review and maintain the Risk Register. The status of major risks identified and risk management action plans are reported to the Board. During the year, the RMC has identified several key areas that need to be addressed in the Group.

The RMC also held a risk management briefing for its members during the financial year. In this meeting, the RMC reviewed the commentary made by Bursa Securities on the Statement on Risk Management and Internal Control of the Group and identified further disclosures needed to educate stakeholders to improve their understanding of the Group’s risk management practices in the future.

At the operational level, risk management forms part of the agenda to be discussed in the management meetings between the RMWG and Head of Departments (“HODs”). All HODs are required to monitor and implement action plans as well as enforce controls to manage the risks.

The key subsidiaries of the Group continue to be certified under the ISO 9001:2008 and ISO 13485:2003 Quality Management Systems, and the ISO 14001:2014 Environmental Management System. These management systems form the fundamentals of the operational procedures in ensuring consistency in production processes. Furthermore, internal quality audits and independent surveillance audits are conducted periodically by external certificated bodies to ensure the compliance of the Group towards the ISO certification requirements. In addition, the Group continues to be certified and licensed by health organisations from various countries.

# Statement On Risk Management And Internal Control

The Board recognises the importance in maintaining a culture that is risk conscious in 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 of the Board, CEO, top executives and HODs for the transactions undertaken in the Group. As a safety net, the risks faced by the Group are insured to minimise the Group's financial exposures and losses. The types of risks insured are burglary, fire, stocks, money, fidelity guarantee, product liability and staff health and safety.

## BOARD REVIEW MECHANISM

The Audit Committee is instituted by the Board to ensure the objectivity of the internal control systems review in the Group. In order to enhance the effectiveness of the risk management and internal control systems, the Audit Committee is assisted by the Internal Auditor, who is independent of the Group's activities or operations to assess the adequacy and effectiveness of control of the selected key functions on a 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 both internal and external auditors have been 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 both internal and external 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 conjunction 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 and release to the public.

The Board has 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 incident 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 risks or emerging risks, responding appropriately and promptly bringing these to the attention of the Board.

The Board has received assurance and affirmation from the CEO and CFO to the best of their knowledge that 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 which resulted from significant control weaknesses. The Board is satisfied that the existing level of systems of risk management and internal control are adequate and effective in enabling the Group to achieve its business objectives and operation efficiency and effectiveness.

The Board is in the view that the risk management and internal control systems have been in place for the year under review and up to the date of approval of this statement is adequate and effective to safeguard the shareholders' investment, the interest of customers, regulators and employees, and the Group assets.

While the Board wishes to reiterate that risk management and systems of internal control are being continuously improved in line with the evolving business development, it should be noted that the risk management systems and systems of internal control cannot fully eliminate all risks of failure to achieve business objectives. Therefore, these systems of internal control and risk management in the Group are only able to 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 5 (Revised 2015) ("RPG 5"), 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 ("MIA") for inclusion in the annual report of the Group for the year ended 30 June 2017, and reported to the Board that nothing has come to their attention that would 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 2015) 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 of Directors 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 9 October 2017.



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# Directors' Report

For the year ended 30 June 2017

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 2017.

## 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.

## SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 4 to the financial statements.

## RESULTS

	GROUP RM'000	COMPANY RM'000
Profit for the year attributable to:		
Owners of the Company	27,946	3,945
Non-controlling interests	860	–
	<u>28,806</u>	<u>3,945</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 statements of changes in equity.

## DIVIDENDS

Since the end of the previous financial year, the Company declared a final single tier dividend of 2.0 sen per ordinary share totalling RM20,047,500 in respect of the financial year ended 30 June 2016 on 28 November 2016 and paid on 16 December 2016.

The Directors proposed a final single tier dividend of 1.0 sen per ordinary share totalling RM10,023,750, 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 2018.

## DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this 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 Jiuwan Jiuwan  
 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	AT 1 JULY 2016	NUMBER OF ORDINARY SHARES		
			BOUGHT	SOLD	AT 30 JUNE 2017
Company					
Tan Sri Dato’ Seri Utama Arshad bin Ayub	Direct	450,000	1,850,000	–	2,300,000
	Deemed <sup>(1)</sup>	–	900,000	–	900,000
Dato’ Dr. Ong Eng Long @ Ong Siew Chuan	Direct	270,000	50,000	–	320,000
Mr. Goh Siang	Direct	23,643,852	–	–	23,643,852
	Deemed <sup>(2)</sup>	318,937,500	3,500,000	–	322,437,500
	Deemed <sup>(3)</sup>	13,500,000	–	(3,500,000)	10,000,000
Mr. Goh Leng Kian	Direct	36,468,865	–	–	36,468,865
	Deemed <sup>(2)</sup>	318,937,500	3,500,000	–	322,437,500
	Deemed <sup>(3)</sup>	573,750	–	–	573,750
Ms. Goh Yen Yen	Direct	25,499,956	–	–	25,499,956
	Deemed <sup>(2)</sup>	318,937,500	3,500,000	–	322,437,500
Ms. Lam Jiuan Jiuan	Direct	19,087,456	–	–	19,087,456
	Deemed <sup>(3)</sup>	64,312,456	–	–	64,312,456
	Deemed <sup>(4)</sup>	331,762,500	3,500,000	–	335,262,500
Mr. Law Ngee Song	Direct	258,750	–	–	258,750

<sup>(1)</sup> Deemed interested by virtue of his equity interest in Zalaraz Sdn. Bhd.

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

<sup>(3)</sup> Deemed interested by virtue of his/her equity interest held by his/her spouse

<sup>(4)</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 2017 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 those fees and other benefits included in the aggregate amount of remuneration 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 to the financial statements.

# Directors' Report

For the year ended 30 June 2017

## DIRECTORS' BENEFITS (CONTINUED)

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.

## ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid-up capital of the Company during the financial year except for the transfer of share premium pursuant to Section 618(2) of the Companies Act 2016 amounting to RM31,386,586 to become part of the Company's share capital.

There were no debentures issued 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.

## INDEMNITY AND INSURANCE COSTS

There were no indemnity given to or insurance effected for any Director, officer or auditor of the Group and Company during the financial year.

## QUALIFICATION OF SUBSIDIARIES' FINANCIAL STATEMENTS

The auditors' report on the audited financial statements of Company's subsidiaries did not contain any qualification or any adverse comments.

## 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 2017 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, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 14 to the financial statements.

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

## GOH LENG KIAN

*Director*

## GOH YEN YEN

*Director*

Johor Bahru

Date: 16 October 2017

# Statements Of Financial Position

As at 30 June 2017

	NOTE	GROUP 2017 RM'000	2016 RM'000	COMPANY 2017 RM'000	2016 RM'000
<b>Assets</b>					
Property, plant and equipment	3	201,730	180,934	–	–
Investments in subsidiaries	4	–	–	267,232	189,544
Intangible assets	5	96,940	32,571	–	–
Deferred tax assets	6	271	247	–	–
<b>Total non-current assets</b>		<b>298,941</b>	<b>213,752</b>	<b>267,232</b>	<b>189,544</b>
Inventories	7	100,982	63,790	–	–
Trade and other receivables, including derivatives	8	100,788	133,384	48,793	85,901
Tax recoverable		7,986	2,885	–	–
Cash and cash equivalents	9	85,084	144,269	55,293	111,712
<b>Total current assets</b>		<b>294,840</b>	<b>344,328</b>	<b>104,086</b>	<b>197,613</b>
<b>Total assets</b>		<b>593,781</b>	<b>558,080</b>	<b>371,318</b>	<b>387,157</b>
<b>Equity</b>					
Share capital	10	281,980	250,594	281,980	250,594
Reserves	10	214,664	228,473	84,679	132,168
<b>Equity attributable to owners of the Company</b>		<b>496,644</b>	<b>479,067</b>	<b>366,659</b>	<b>382,762</b>
<b>Non-controlling interest</b>		<b>1,499</b>	<b>605</b>	<b>–</b>	<b>–</b>
<b>Total equity</b>		<b>498,143</b>	<b>479,672</b>	<b>366,659</b>	<b>382,762</b>
<b>Liabilities</b>					
Loans and borrowings	11	11,208	16,112	3,263	3,564
Deferred tax liabilities	6	8,629	7,755	–	–
<b>Total non-current liabilities</b>		<b>19,837</b>	<b>23,867</b>	<b>3,263</b>	<b>3,564</b>
Trade and other payables	12	64,494	42,976	23	70
Loans and borrowings	11	10,230	9,783	1,202	629
Taxation		1,077	1,782	171	132
<b>Total current liabilities</b>		<b>75,801</b>	<b>54,541</b>	<b>1,396</b>	<b>831</b>
<b>Total liabilities</b>		<b>95,638</b>	<b>78,408</b>	<b>4,659</b>	<b>4,395</b>
<b>Total equity and liabilities</b>		<b>593,781</b>	<b>558,080</b>	<b>371,318</b>	<b>387,157</b>

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



# Statements Of Profit Or Loss

For the year ended 30 June 2017

	NOTE	GROUP 2017 RM'000	2016 RM'000	COMPANY 2017 RM'000	2016 RM'000
<b>Revenue</b>					
Goods sold		361,452	343,617	-	-
Dividend income		-	-	-	15,000
		361,452	343,617	-	15,000
Cost of goods sold		(250,258)	(229,070)	-	-
<b>Gross profit</b>		111,194	114,547	-	15,000
Other income		2,821	13,225	381	5,475
Distribution expenses		(34,779)	(24,218)	-	-
Administrative expenses		(38,876)	(28,490)	(1,442)	(2,287)
Other expenses		(4,858)	(599)	-	(172)
<b>Results from operating activities</b>		35,502	74,465	(1,061)	18,016
Finance income		2,737	5,539	5,697	8,332
Finance costs		(1,190)	(654)	(145)	-
<b>Net finance income</b>		1,547	4,885	5,552	8,332
<b>Profit before tax</b>		37,049	79,350	4,491	26,348
Tax expense	13	(8,243)	(12,927)	(546)	(310)
<b>Profit for the year</b>	14	28,806	66,423	3,945	26,038
<b>Profit attributable to:</b>					
Owners of the Company		27,946	66,685	3,945	26,038
Non-controlling interest		860	(262)	-	-
<b>Profit for the year</b>		28,806	66,423	3,945	26,038
Basic and diluted earnings per ordinary share (sen)	15	2.79	6.65		

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 2017

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Profit for the year</b>	<b>28,806</b>	<b>66,423</b>	<b>3,945</b>	<b>26,038</b>
<b>Other comprehensive income/(expense), 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	9,713	(2,435)	-	-
<b>Other comprehensive income/(expense) for the year, net of tax</b>	<b>9,713</b>	<b>(2,435)</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>	<b>38,519</b>	<b>63,988</b>	<b>3,945</b>	<b>26,038</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	37,625	64,176	3,945	26,038
Non-controlling interest	894	(188)	-	-
<b>Total comprehensive income for the year</b>	<b>38,519</b>	<b>63,988</b>	<b>3,945</b>	<b>26,038</b>

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

# Consolidated Statement Of Changes In Equity

For the year ended 30 June 2017

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>										
At 1 July 2015	167,063	114,917	63,511	2,725	718	82,663	431,597	793	432,390	
Foreign currency translation differences for foreign operations/ <b>Total other comprehensive (expense)/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 (expense)/ income for the year</b>	-	-	-	(2,509)	-	66,685	64,176	(188)	63,988	
<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>	83,531	(83,531)	-	-	-	(16,706)	(16,706)	-	(16,706)	
At 30 June 2016	10	250,594	31,386	63,511	216	718	132,642	479,067	605	479,672

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

# Consolidated Statement Of Changes In Equity

For the year ended 30 June 2017

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				
Group										
At 1 July 2016		250,594	31,386	63,511	216	718	132,642	479,067	605	479,672
Foreign currency translation differences for foreign operations/ Total other comprehensive income for the year		-	-	-	9,679	-	-	9,679	34	9,713
Profit for the year		-	-	-	-	-	27,946	27,946	860	28,806
Total comprehensive income for the year		-	-	-	9,679	-	27,946	37,625	894	38,519
Contributions by and distributions to owners of the Company										
Dividends to owners of the Company/ Total transactions with owners of the Company	16	-	-	-	-	-	(20,048)	(20,048)	-	(20,048)
Transfer in accordance with Section 618(2) of the Companies Act 2016		31,386	(31,386)	-	-	-	-	-	-	-
At 30 June 2017	10	281,980	-	63,511	9,895	718	140,540	496,644	1,499	498,143

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



# Statement Of Changes In Equity

For the year ended 30 June 2017

	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 2015</b>		167,063	114,917	63,511	27,939	373,430
<b>Profit and total comprehensive income for the year</b>		-	-	-	26,038	26,038
<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>		83,531	(83,531)	-	(16,706)	(16,706)
<b>At 30 June 2016/1 July 2016</b>		<b>250,594</b>	<b>31,386</b>	<b>63,511</b>	<b>37,271</b>	<b>382,762</b>
<b>Profit and total comprehensive income for the year</b>		-	-	-	3,945	3,945
<i>Contributions by and distributions to owners of the Company</i>						
Dividends to owners of the Company/ <b>Total transactions with owners of the Company</b>	16	-	-	-	(20,048)	(20,048)
Transfer in accordance with Section 618(2) of the Companies Act 2016		31,386	(31,386)	-	-	-
<b>At 30 June 2017</b>	10	<b>281,980</b>	<b>-</b>	<b>63,511</b>	<b>21,168</b>	<b>366,659</b>

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

# Statements Of Cash Flows

For the year ended 30 June 2017

	NOTE	GROUP 2017 RM'000	2016 RM'000	COMPANY 2017 RM'000	2016 RM'000
<b>Cash flows from operating activities</b>					
Profit before tax		<b>37,049</b>	79,350	<b>4,491</b>	26,348
Adjustments for:-					
Depreciation and amortisation		<b>11,538</b>	9,164	-	-
Fair value gain on derivative instruments		<b>(347)</b>	(537)	-	-
Finance costs		<b>1,190</b>	654	<b>145</b>	-
Finance income		<b>(2,737)</b>	(5,539)	<b>(5,697)</b>	(8,332)
Gain from a bargain purchase		-	(3,956)	-	-
Impairment loss on trade receivables		<b>538</b>	75	-	-
Inventories:					
- Allowance for slow moving		<b>266</b>	488	-	-
- Written off		<b>707</b>	-	-	-
Property, plant and equipment:					
- Gain on disposal		<b>(3)</b>	(152)	-	-
- Written off		<b>72</b>	93	-	-
Unrealised (gain)/loss on foreign exchange		<b>(570)</b>	(899)	<b>(265)</b>	172
<b>Operating profit/(loss) before changes in working capital</b>		<b>47,703</b>	78,741	<b>(1,326)</b>	18,188
Changes in inventories		<b>(31,959)</b>	(9,007)	-	-
Changes in trade and other receivables		<b>3,638</b>	(12,441)	<b>(2,355)</b>	(13,481)
Changes in trade and other payables		<b>12,928</b>	1,726	<b>(47)</b>	(210)
<b>Cash generated from/(used in) operations</b>		<b>32,310</b>	59,019	<b>(3,728)</b>	4,497
Tax paid		<b>(13,199)</b>	(15,270)	<b>(507)</b>	(255)
<b>Net cash from/(used in) operating activities</b>		<b>19,111</b>	43,749	<b>(4,235)</b>	4,242

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

	NOTE	GROUP 2017 RM'000	2016 RM'000	COMPANY 2017 RM'000	2016 RM'000
<b>Cash flows from investing activities</b>					
Acquisition of:					
- intangible assets	5	(35,488)	(5,705)	-	-
- property, plant and equipment	17	(24,391)	(44,052)	-	-
- subsidiaries, net cash and cash equivalents acquired	24	4,120	(13,000)	-	(13,000)
Advance payment for proposed acquisition of a subsidiary	8	-	(34,217)	-	-
Increase in investment in subsidiaries		-	-	(34,500)	(52,516)
Investments in subsidiaries		-	-	(3,188)	##-
Proceeds from disposal of property, plant and equipment		74	482	-	-
Interest received		2,737	5,539	5,697	8,332
<b>Net cash used in investing activities</b>		<b>(52,948)</b>	<b>(90,953)</b>	<b>(31,991)</b>	<b>(57,184)</b>
<b>Cash flows from financing activities</b>					
Interest paid		(1,333)	(1,261)	(145)	-
Change in pledged deposits		232	(700)	-	-
Dividends paid to owners of the Company		(20,048)	(16,706)	(20,048)	(16,706)
Repayments of:					
- bankers' acceptance		-	(7,363)	-	-
- finance lease liabilities		(1,062)	(1,060)	-	-
- term loans		(4,522)	(3,531)	-	-
Drawdown of:					
- bankers' acceptance		748	-	-	-
- term loans		-	13,890	-	4,193
<b>Net cash used in financing activities</b>		<b>(25,985)</b>	<b>(16,731)</b>	<b>(20,193)</b>	<b>(12,513)</b>
Effect of exchange rate fluctuations on cash held		883	(228)	-	-
<b>Net decrease in cash and cash equivalents</b>		<b>(58,939)</b>	<b>(64,163)</b>	<b>(56,419)</b>	<b>(65,455)</b>
<b>Cash and cash equivalents at 1 July</b>		<b>143,318</b>	<b>207,481</b>	<b>111,712</b>	<b>177,167</b>
<b>Cash and cash equivalents at 30 June</b>		<b>84,379</b>	<b>143,318</b>	<b>55,293</b>	<b>111,712</b>
Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:					
Cash and bank balances		35,594	50,194	7,841	18,767
Deposits with licensed banks		705	937	-	-
Deposits with other corporation		48,785	93,138	47,452	92,945
		85,084	144,269	55,293	111,712
Less: Pledged deposits		(705)	(937)	-	-
Bank overdraft		-	(14)	-	-
		84,379	143,318	55,293	111,712

## Represent RM202.00.

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 2017 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 2017 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 16 October 2017.

## 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 2016 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 2017***

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- 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*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

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

- MFRS 16, *Leases*



## 1. BASIS OF PREPARATION

### (a) Statement of compliance

#### ***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***

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.

#### **(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.

### **(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 – intangible assets.

# Notes To The Financial Statements

## 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.

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of consolidation

#### (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.

### (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.

# Notes To The Financial Statements

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Foreign currency (continued)

#### (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. 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.

### (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.



## 2. SIGNIFICANT ACCOUNTING POLICIES

### (c) Financial instruments

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

##### *Financial assets*

##### **(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)(i)).

##### *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.

# Notes To The Financial Statements

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Financial instruments (continued)

#### (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.

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. The difference between the carrying amount of the financial liability derecognised 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (d) Property, plant and equipment

#### (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.

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	3 - 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.

# Notes To The Financial Statements

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Leased assets (continued)

#### (ii) Operating lease (continued)

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.

### (f) Intangible assets

#### (i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates and joint venture, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates and joint venture.

#### (ii) Brands

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

#### (iii) Patents and trademarks

Patents and trademarks acquired by the Group, which have finite useful lives are measured at cost less any accumulated amortisation and any accumulated impairment losses.

#### (iv) Other intangible assets

Other intangible assets 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.

#### (v) 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.

#### (vi) Amortisation

Goodwill 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 lives 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 and comparative periods 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.



## 2. SIGNIFICANT ACCOUNTING POLICIES

### (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.

### (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 with original maturities of three months or less, 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.

# Notes To The Financial Statements

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Impairment (continued)

#### (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.

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (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 liabilities and assets, 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.

# Notes To The Financial Statements

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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 subsidiaries 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.



## 2. SIGNIFICANT ACCOUNTING POLICIES

### (n) Employee benefits

#### (iii) Defined benefit plans

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.

# Notes To The Financial Statements

## 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 2015	45,692	93,514	9,253	14,011	6,020	27,081	195,571
Acquisitions (see Note 24(b)(i))	13,200	17,733	3,749	–	130	–	34,812
Additions (see Note 17)	6,503	9,702	2,437	988	1,239	24,323	45,192
Disposals	–	(5)	(284)	–	(597)	(94)	(980)
Written off	–	(368)	(42)	–	–	–	(410)
Transfers	18,099	13,852	2	6,995	–	(38,948)	–
Translation differences	166	683	40	113	30	200	1,232
<b>At 30 June 2016/ 1 July 2016</b>	<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>
Acquisitions (see Note 24(a)(i))	299	682	255	–	–	–	1,206
Additions (see Note 17)	5,786	5,141	4,496	1,454	499	7,551	24,927
Disposals	–	(87)	(36)	–	(39)	(58)	(220)
Written off	–	(153)	(400)	(12)	(79)	–	(644)
Transfers	–	2,786	1,166	1,788	–	(5,740)	–
Translation differences	2,340	5,153	290	839	90	1,040	9,752
<b>At 30 June 2017</b>	<b>92,085</b>	<b>148,633</b>	<b>20,896</b>	<b>26,176</b>	<b>7,293</b>	<b>15,355</b>	<b>310,438</b>
<b>Accumulated depreciation</b>							
At 1 July 2015	3,724	45,116	5,177	8,922	3,337	–	66,276
Acquisitions (see Note 24(b)(i))	2,875	13,724	3,275	–	84	–	19,958
Depreciation charge	680	5,780	1,084	739	789	–	9,072
Disposals	–	–	(58)	–	(592)	–	(650)
Written off	–	(275)	(42)	–	–	–	(317)
Translation differences	49	557	(344)	(146)	28	–	144
<b>At 30 June 2016/ 1 July 2016</b>	<b>7,328</b>	<b>64,902</b>	<b>9,092</b>	<b>9,515</b>	<b>3,646</b>	<b>–</b>	<b>94,483</b>
Acquisitions (see Note 24(a)(i))	227	541	139	–	–	–	907
Depreciation charge	2,685	5,429	1,587	901	855	–	11,457
Disposals	–	(75)	(36)	–	(38)	–	(149)
Written off	–	(81)	(400)	(12)	(79)	–	(572)
Translation differences	250	1,976	159	142	55	–	2,582
<b>At 30 June 2017</b>	<b>10,490</b>	<b>72,692</b>	<b>10,541</b>	<b>10,546</b>	<b>4,439</b>	<b>–</b>	<b>108,708</b>
<b>Carrying amounts</b>							
At 1 July 2015	41,968	48,398	4,076	5,089	2,683	27,081	129,295
At 30 June 2016/ 1 July 2016	76,332	70,209	6,063	12,592	3,176	12,562	180,934
<b>At 30 June 2017</b>	<b>81,595</b>	<b>75,941</b>	<b>10,355</b>	<b>15,630</b>	<b>2,854</b>	<b>15,355</b>	<b>201,730</b>

### 3. PROPERTY, PLANT AND EQUIPMENT

#### Land and buildings

Included in the carrying amounts of land and buildings are:

	GROUP	
	2017 RM'000	2016 RM'000
Land		
- Freehold land	18,774	18,774
- Leasehold land with unexpired lease period of more than 50 years	3,863	3,970
- Leasehold land with unexpired lease period of less than 50 years	5,882	5,971
Buildings	53,076	47,617
	<b>81,595</b>	<b>76,332</b>

#### Security

The land and buildings and plant and machineries of the Group with a carrying amount of RM65,001,095 (2016: RM63,115,465) 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	
	2017 RM'000	2016 RM'000
Plant and machinery	2,039	2,165
Motor vehicles	1,818	2,088
	<b>3,857</b>	<b>4,253</b>

#### Construction-in-progress

Construction-in-progress consists of assets relating to latex compounding facilities, condom production facilities and other machineries which are not ready for intended use.

#### Others

Included in property of the Group is finance cost capitalised of RM142,897 (2016: RM607,284) at 5.00% (2016: 3.99% - 7.85%) per annum.

### 4. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2017 RM'000	2016 RM'000
Unquoted shares, at cost	267,232	189,544

# Notes To The Financial Statements

## 4. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

			EFFECTIVE OWNERSHIP INTEREST AND VOTING INTEREST	
NAME OF ENTITY	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	2017 %	2016 %
Direct subsidiaries				
Karex Industries Sdn. Bhd.	Manufacture and sale of condoms, rubber products, lubricating jelly and others	Malaysia	100	100
Hevea Medical Sdn. Bhd.	Manufacture and sale of condoms, rubber products, lubricating jelly and others	Malaysia	100	100
Innolates Sdn. Bhd.	Manufacture and sale of condoms, rubber products, lubricating jelly and others	Malaysia	100	100
Innolates (Thailand) Limited *	Manufacture and sale of condoms, rubber products, lubricating jelly and others	Thailand	100	100
Karex Global Limited #	Investment holding	Hong Kong	100	100
Medical-Latex (Dua) Sdn. Bhd.	Manufacture and sale of condoms, rubber products, lubricating jelly and others	Malaysia	100	100
Karex Holdings Sdn. Bhd.	Investment holding	Malaysia	100	100
Karex International Sdn. Bhd.	Investment holding	Malaysia	100	100
Karex Marketing Sdn. Bhd.	Dormant	Malaysia	100	100
Karex Polymers Limited #	Manufacturing of pre-vulcanised latex	Thailand	100	–
Subsidiary of Karex Holdings Sdn. Bhd.				
Pasante Healthcare Limited #	Wholesalers of healthcare products	United Kingdom	100	–
Subsidiary of Karex Industries Sdn. Bhd.				
Uro Technology Sdn. Bhd.	Manufacturing and sale of sterile catheters	Malaysia	100	100
Subsidiaries of Karex Global Limited				
Global Protection Corporation #	Distribution, packaging and marketing of condoms and related products	United States of America	55	55
Karex Europe S.L.U. # (Under liquidation process)	Dormant	Spain	100	100
Subsidiary of Global Protection Corporation				
Global Protection Corp UK Limited ##	Dormant	United Kingdom	100	–

\* Audited by other member firm of KPMG International.

# Not audited by member firm of KPMG International.

## The subsidiary was incorporated on 9 January 2017 and remain dormant.

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



## 5. INTANGIBLE ASSETS

	GOODWILL RM'000	BRANDS 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 2015	–	24,216	1,019	–	25,235
Additions	–	–	116	5,589	5,705
Effect of movements in exchange rates	–	1,492	414	–	1,906
At 30 June 2016/1 July 2016	–	<b>25,708</b>	<b>1,549</b>	<b>5,589</b>	<b>32,846</b>
Acquisition of a subsidiary (see Note 24(a)(i))	<b>27,230</b>	–	–	–	<b>27,230</b>
Additions	–	<b>35,072</b>	<b>58</b>	<b>358</b>	<b>35,488</b>
Effect of movements in exchange rates	–	<b>1,721</b>	<b>15</b>	–	<b>1,736</b>
At 30 June 2017	<b>27,230</b>	<b>62,501</b>	<b>1,622</b>	<b>5,947</b>	<b>97,300</b>
<b>Accumulated amortisation</b>					
At 1 July 2015	–	–	168	–	168
Amortisation charge	–	–	92	–	92
Effect of movements in exchange rates	–	–	15	–	15
At 30 June 2016/1 July 2016	–	–	<b>275</b>	–	<b>275</b>
Amortisation charge	–	–	<b>81</b>	–	<b>81</b>
Effect of movements in exchange rates	–	–	<b>4</b>	–	<b>4</b>
At 30 June 2017	–	–	<b>360</b>	–	<b>360</b>
<b>Carrying amounts</b>					
At 1 July 2015	–	24,216	851	–	25,067
At 30 June 2016/1 July 2016	–	25,708	1,274	5,589	32,571
At 30 June 2017	<b>27,230</b>	<b>62,501</b>	<b>1,262</b>	<b>5,947</b>	<b>96,940</b>

### Other intangible assets

Other intangible assets comprise of patents, distribution rights, websites, quality certifications and others that related to fitted condom and former production.

### Amortisation

The brands 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 brands 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 brands 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.

# Notes To The Financial Statements

## 5. INTANGIBLE ASSETS (CONTINUED)

### Impairment testing for cash-generating units ("CGU") containing intangible assets

For the purpose of impairment testing, brands and other intangible assets with indefinite useful lives are allocated to the Group's manufacturing and distribution units which represent the lowest level within the Group at which the intangible assets are monitored for internal management purpose.

The aggregate carrying amount of the intangible assets allocated to each unit are as follows:

	GOODWILL		BRANDS		OTHER INTANGIBLE ASSETS	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Pasante Healthcare Limited ("Pasante")	27,230	–	–	–	–	–
"ONE" brand manufacturing and distribution	–	–	27,499	25,708	–	–
"Trustex" brand manufacturing and distribution	–	–	34,100	–	–	–
"NuVo" brand manufacturing and distribution	–	–	902	–	–	–
Other intangible assets related to fitted condom	–	–	–	–	5,589	5,589
Other intangible assets related to former production	–	–	–	–	358	–
	27,230	–	62,501	25,708	5,947	5,589

### Goodwill

Goodwill was generated upon acquisition of Pasante. The recoverable amount for goodwill were based on its value in use, determined by discounting the future cash flows to be generated from the CGU and were based on the following key assumptions:

- Cash flows were projected based on 10-year plan and an estimated terminal value.
- Revenue were projected based on growth rate of 7.35% - 16.55% on historical sales performance.
- Profit margins were based on the historical performance of the distribution units and remain constant throughout the projected period.
- A pre-tax discount rate of 13.5% was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the industry's weighted average cost of capital.

### Brands

The recoverable amount for Brands were based on their value in use, determined by discounting the future cash flows to be generated from the CGU and were based on the following key assumptions:

- Cash flows were projected based on 10-year plan and an estimated terminal value.
- Revenue were projected based on adult population that uses condom of the target territories.
- Profit margins were based on the historical performance of the manufacturing and distribution units and remain constant throughout the projected period.
- A pre-tax discount rate of 14.1% - 16.1% was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the industry's weighted average cost of capital.

## 5. INTANGIBLE ASSETS

### Other intangible assets related to fitted condoms

The recoverable amount for the other intangible assets were based on its value in use, determined by discounting the future cash flows to be generated from the CGU and were 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 pre-tax discount rate of 12.1% was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the industry'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 of the above intangible assets.

The following table shows the reduction of recoverable amount with the changes in the key assumptions which are particularly sensitive:

	1 PERCENTAGE POINT CHANGE IN REVENUE GROWTH 2017 RM'000		1 PERCENTAGE POINT CHANGE IN GROSS PROFIT MARGIN 2017 RM'000		1 PERCENTAGE POINT CHANGE IN DISCOUNT RATE 2017 RM'000	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Pasante Healthcare Limited ("Pasante")	<b>1,670</b>	–	<b>6,576</b>	–	<b>5,878</b>	–
"ONE" brand manufacturing and distribution	<b>530</b>	2,377	<b>2,913</b>	3,748	<b>5,985</b>	5,596
"Trustex" brand manufacturing and distribution	<b>385</b>	–	<b>933</b>	–	<b>4,180</b>	–
"NüVo" brand manufacturing and distribution	<b>44</b>	–	<b>115</b>	–	<b>501</b>	–
Other intangible assets related to fitted condom	<b>66</b>	102	<b>214</b>	308	<b>791</b>	1,889

Based on sensitivity analysis, management concluded that there are no reasonably foreseeable changes in any of the above key assumptions would cause the carrying values of goodwill, brands and other intangible assets to exceed its recoverable amounts.

There is no further disclosure on other intangible assets related to former production as the amount is not significant to the Group.

## 6. DEFERRED TAX ASSETS/(LIABILITIES)

### Recognised deferred tax assets/(liabilities)

The amounts determined after appropriate offsetting are as follows:

	GROUP 2017 RM'000		2016 RM'000
Deferred tax assets	<b>271</b>		247
Deferred tax liabilities	<b>(8,629)</b>		(7,755)
	<b>(8,358)</b>		(7,508)

# Notes To The Financial Statements

## 6. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Deferred tax assets and liabilities 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	
	2017 RM'000	2016 RM'000
Property, plant and equipment		
- capital allowances	(9,701)	(8,086)
Unutilised business losses	282	-
Inventories	377	574
Trade receivables	852	92
Others	(168)	(88)
	<b>(8,358)</b>	<b>(7,508)</b>

### Movement in temporary differences during the year

	AT 1 JULY 2016 RM'000	ACQUISITION RM'000	RECOGNISED IN PROFIT OR LOSS (NOTE 13) RM'000	AT 30 JUNE 2017 RM'000
<b>Group</b>				
Property, plant and equipment	(8,086)	-	(1,615)	(9,701)
Tax losses carried forward	-	-	282	282
Inventories	574	-	(197)	377
Trade receivables	92	-	760	852
Others	(88)	-	(80)	(168)
	<b>(7,508)</b>	<b>-</b>	<b>(850)</b>	<b>(8,358)</b>
	AT 1 JULY 2015 RM'000	ACQUISITION (NOTE 24(b)(i)) RM'000	RECOGNISED IN PROFIT OR LOSS (NOTE 13) RM'000	AT 30 JUNE 2016 RM'000
Property, plant and equipment	(6,218)	(1,662)	(206)	(8,086)
Inventories	481	-	93	574
Trade receivables	94	-	(2)	92
Others	418	-	(506)	(88)
	<b>(5,225)</b>	<b>(1,662)</b>	<b>(621)</b>	<b>(7,508)</b>



**7. INVENTORIES**

	<b>GROUP</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Raw materials	<b>30,943</b>	27,242
Work-in-progress	<b>18,827</b>	14,114
Finished goods	<b>49,967</b>	19,751
Chemicals and factory supplies	<b>1,245</b>	2,683
	<b>100,982</b>	63,790
Carrying amount:		
- At cost	<b>99,308</b>	63,790
- At net realisable value	<b>1,674</b>	-
	<b>100,982</b>	63,790
Recognised in profit or loss:		
- Inventories recognised as cost of goods sold	<b>250,258</b>	229,070
- Written-off	<b>707</b>	-
- Allowance for slow-moving	<b>266</b>	488

**8. TRADE AND OTHER RECEIVABLES**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Trade</b>				
Trade receivables	<b>78,511</b>	79,400	-	-
<b>Non-trade</b>				
Other receivables, deposits and prepayments	<b>21,930</b>	53,447	-	9
Due from subsidiaries	-	-	<b>48,793</b>	85,892
	<b>21,930</b>	53,447	<b>48,793</b>	85,901
Derivatives financial assets	<b>347</b>	537	-	-
	<b>100,788</b>	133,384	<b>48,793</b>	85,901

The amounts due from subsidiaries are unsecured, subject to interest at 5% (2016: 5%) per annum and repayable upon demand.

Upon completion of the acquisition of Pasante Healthcare Limited as disclosed in Note 24(a)(i), the advanced payment made in previous year amounting to RM34,217,000 (GBP6,000,000) was reclassified from other receivables, deposits and prepayments to investment in subsidiaries.

**9. CASH AND CASH EQUIVALENTS**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and bank balances	<b>35,594</b>	50,194	<b>7,841</b>	18,767
Deposits with licensed banks	<b>705</b>	937	-	-
Deposits with other corporation	<b>48,785</b>	93,138	<b>47,452</b>	92,945
	<b>85,084</b>	144,269	<b>55,293</b>	111,712

Deposits with licensed banks of the Group of RM705,000 (2016: RM937,000) 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	
	2017 RM'000	2016 RM'000	2017 '000	2016 '000
Ordinary shares:				
Authorised with par value of RM0.25 each*	-	500,000	-	2,000,000
Issued and fully paid:				
At 1 July	250,594	167,063	1,002,375	668,250
Bonus issue	-	83,531	-	334,125
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016	31,386	-	-	-
At 30 June	281,980	250,594	1,002,375	1,002,375

\* The concept of authorised share capital and par value of share capital have been abolished on the commencement of the Companies Act 2016 on 31 January 2017.

Reserves	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Distributable</b>				
Retained earnings	140,540	132,642	21,168	37,271
<b>Non-distributable</b>				
Share premium	-	31,386	-	31,386
Merger reserve	63,511	63,511	63,511	63,511
Translation reserve	9,895	216	-	-
Other reserve	718	718	-	-
	214,664	228,473	84,679	132,168

### 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.

In accordance with Section 618(2) of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital.

### 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).

## 10. CAPITAL AND RESERVES

### 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Secured</b>				
<b><i>Non-current</i></b>				
Term loans	10,464	15,101	3,263	3,564
Finance lease liabilities	744	1,011	–	–
	<b>11,208</b>	<b>16,112</b>	<b>3,263</b>	<b>3,564</b>
<b><i>Current</i></b>				
Term loans	6,408	6,293	1,202	629
Bankers' acceptances	3,167	2,419	–	–
Finance lease liabilities	655	1,057	–	–
Bank overdraft	–	14	–	–
	<b>10,230</b>	<b>9,783</b>	<b>1,202</b>	<b>629</b>
	<b>21,438</b>	<b>25,895</b>	<b>4,465</b>	<b>4,193</b>

The loans and borrowings are secured by:

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

The said subsidiary has complied with the above loan covenants.

# Notes To The Financial Statements

## 11. LOANS AND BORROWINGS (CONTINUED)

### Finance lease liabilities

Finance lease liabilities (secured) are payable as follows:

	2017			2016		
	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	703	48	655	1,134	77	1,057
Between one and five years	786	42	744	1,065	54	1,011
	<b>1,489</b>	<b>90</b>	<b>1,399</b>	<b>2,199</b>	<b>131</b>	<b>2,068</b>

## 12. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Trade</b>				
Trade payables	38,217	23,392	-	-
<b>Non-trade</b>				
Other payables and accrued expenses	26,277	19,584	23	70
	<b>64,494</b>	<b>42,976</b>	<b>23</b>	<b>70</b>

## 13. TAX EXPENSE

### Recognised in profit or loss

Major components of income tax expense include:

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Current tax expense</b>				
- Current year	6,751	12,046	570	396
- Prior year	642	260	(24)	(86)
	<b>7,393</b>	<b>12,306</b>	<b>546</b>	<b>310</b>
<b>Deferred tax expense</b>				
- Origination and reversal of temporary differences	1,235	512	-	-
- (Over)/Under provision in prior years	(385)	109	-	-
	<b>850</b>	<b>621</b>	<b>-</b>	<b>-</b>
	<b>8,243</b>	<b>12,927</b>	<b>546</b>	<b>310</b>



**13. TAX EXPENSE**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Reconciliation of tax expense</b>				
Profit before tax	<b>37,049</b>	79,350	<b>4,491</b>	26,348
Income tax calculated using Malaysian tax rate of 24% (2016: 24%)	<b>8,892</b>	19,044	<b>1,078</b>	6,324
Non-deductible expenses	<b>1,298</b>	1,446	<b>293</b>	576
Non-taxable income	<b>(645)</b>	(3,814)	<b>(801)</b>	(6,504)
Effect of different tax rates in different jurisdictions	<b>(57)</b>	(644)	<b>-</b>	-
Tax incentives	<b>(1,502)</b>	(3,474)	<b>-</b>	-
	<b>7,986</b>	12,558	<b>570</b>	396
Under/(Over) provision in prior years	<b>257</b>	369	<b>(24)</b>	(86)
Tax expense	<b>8,243</b>	12,927	<b>546</b>	310

**14. PROFIT FOR THE YEAR**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Profit before tax is arrived at after charging/(crediting)</b>				
Audit fees				
- KPMG in Malaysia	<b>290</b>	273	<b>85</b>	80
- Overseas affiliate of KPMG in Malaysia	<b>97</b>	80	<b>-</b>	-
- Other auditors	<b>267</b>	187	<b>-</b>	-
Non-audit fees				
- KPMG in Malaysia	<b>6</b>	22	<b>-</b>	-
- Local affiliate of KPMG in Malaysia	<b>-</b>	256	<b>-</b>	-
Depreciation and amortisation	<b>11,538</b>	9,164	<b>-</b>	-
Dividend income	<b>-</b>	-	<b>-</b>	15,000
Fair value gain on derivative instruments	<b>(347)</b>	(537)	<b>-</b>	-
Finance costs	<b>1,190</b>	654	<b>145</b>	-
Finance income	<b>(2,737)</b>	(5,539)	<b>(5,697)</b>	(8,332)
Foreign exchange:				
- Realised gain	<b>(1,427)</b>	(7,978)	<b>(115)</b>	(5,475)
- Unrealised (gain)/loss	<b>(570)</b>	(899)	<b>(265)</b>	172
Gain from a bargain purchase (see Note 24(b)(i))	<b>-</b>	(3,956)	<b>-</b>	-
Impairment loss on trade receivables	<b>538</b>	75	<b>-</b>	-
Inventories:				
- Allowance for slow moving	<b>266</b>	488	<b>-</b>	-
- Written off	<b>707</b>	-	<b>-</b>	-
Personnel expenses (including key management personnel):				
- Contributions to state plans	<b>3,459</b>	2,790	<b>-</b>	-
- Wages, salaries and others	<b>78,663</b>	59,661	<b>440</b>	410
Property, plant and equipment:				
- Gain on disposal	<b>(3)</b>	(152)	<b>-</b>	-
- Written off	<b>72</b>	93	<b>-</b>	-
Rental expense	<b>3,273</b>	2,876	<b>-</b>	-

# Notes To The Financial Statements

## 15. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 30 June 2017 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	GROUP	
	2017 RM'000	2016 RM'000
Profit for the year attributable to owners of the Company	27,946	66,685
<i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares at 30 June ('000)	1,002,375	1,002,375
Basic earnings per ordinary share (sen)	2.79	6.65

### 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>2017</b>			
Final 2016	2.0	20,048	16 December 2016
<b>2016</b>			
Final 2015	2.5	16,706	18 December 2015

After the reporting period, the following final single tier dividend was proposed by the Directors. The dividend will be recognised in subsequent financial period upon approval by the owners of the Company at the forthcoming Annual General Meeting.

	SEN PER SHARE	TOTAL AMOUNT RM'000
Final 2017	1.0	10,024

## 17. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Acquisition of property, plant and equipment in statement of cash flows represents:-

	GROUP	
	2017 RM'000	2016 RM'000
Current year additions	24,927	45,192
Less: Amount financed by finance lease	(393)	(533)
Interest capitalised	(143)	(607)
	24,391	44,052

## 18. OPERATING SEGMENTS

### Group

The Group's main business activities comprise investment holding, manufacture and sale of sexual wellness, medical and other health related products. These activities are principally located in Malaysia, Thailand, United States of America and Europe. 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.

### 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.

### Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Group's CEO. Hence, no disclosure is made on segment liability.

### Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment and intangible assets other than goodwill.

	SEXUAL WELLNESS RM'000	MEDICAL RM'000	OTHERS RM'000	TOTAL RM'000
<b>2017</b>				
<b>Segment profit</b>	<b>32,588</b>	<b>5,837</b>	<b>901</b>	<b>39,326</b>
<i>Included in the measure of segment profit are:</i>				
Revenue from external customers	<b>328,467</b>	<b>27,255</b>	<b>5,730</b>	<b>361,452</b>
<i>Included in the measure of segment profit are:</i>				
Inventories:				
- Allowance for slow moving	(233)	(20)	(13)	(266)
- Written off	(707)	-	-	(707)
Depreciation and amortisation	(11,346)	(190)	(2)	(11,538)
<i>Not included in the measure of segment profit but provided to CEO:</i>				
Finance income	84	-	-	84
Finance costs	(1,113)	(77)	-	(1,190)
<b>Segment assets</b>	<b>515,492</b>	<b>20,399</b>	<b>2,566</b>	<b>538,457</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>24,707</b>	<b>220</b>	<b>-</b>	<b>24,927</b>

# Notes To The Financial Statements

## 18. OPERATING SEGMENTS (CONTINUED)

	SEXUAL WELLNESS RM'000	MEDICAL RM'000	OTHERS RM'000	TOTAL RM'000
<b>2016</b>				
<b>Restated</b>				
<b>Segment profit</b>	62,822	4,509	–	67,331
<i>Included in the measure of segment profit are:</i>				
Revenue from external customers	322,138	21,479	–	343,617
<i>Included in the measure of segment profit are:</i>				
Allowance for slow moving inventories	(488)	–	–	(488)
Depreciation and amortisation	(8,986)	(178)	–	(9,164)
Gain from a bargain purchase	3,956	–	–	3,956
<i>Not included in the measure of segment profit but provided to CEO:</i>				
Finance income	283	–	–	283
Finance costs	(654)	–	–	(654)
<b>Segment assets</b>	397,053	14,553	–	411,606
<i>Not included in the measure of segment assets are:</i>				
Additions to non-current assets other than financial instruments and deferred tax assets	44,898	294	–	45,192

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

	GROUP	
	2017 RM'000	2016 RM'000
<b>Profit or loss</b>		
Total profit for reportable segments	39,326	67,331
Finance costs	(1,190)	(654)
Finance income	84	283
Unallocated items:		
- Corporate expenses	(1,592)	(2,464)
- Finance income from deposits with licensed banks & other corporation	2,653	5,256
- Gain on bargain purchase	–	3,956
- Others	(2,232)	5,642
Consolidated profit before tax	37,049	79,350
<b>Total assets</b>		
Total assets for reportable segments	538,457	411,606
Other non-reportable segments	55,324	146,474
Consolidated total assets	593,781	558,080

### Geographical segments

The Sexual Wellness and Medical segments are managed on a worldwide basis, but operate manufacturing facilities and sales offices in Malaysia, Thailand, United Kingdom and the United States of America.

In presenting information on the basis of geographical segments, segment revenue is based on geographical destination markets of the export for the financial years.



## 18. OPERATING SEGMENTS

### Geographical segments

Geographical segment non-current assets information is neither included in the internal management reports nor provided regularly to the Group's CEO. Hence, no disclosure is made on geographical segment non-current assets.

Geographical revenue	GROUP	
	2017 RM'000	2016 RM'000
Asia	92,776	105,952
Africa	89,553	113,178
America	104,932	90,852
Europe	74,191	33,635
Consolidated revenue	361,452	343,617

### Major customers

There is no significant concentration of sales to a customer exceeding 10% of the Group's revenue for year 2017 and 2016.

## 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>2017</b>				
<b>Financial assets</b>				
Trade and other receivables, including derivatives	92,611	92,264	–	347
Cash and cash equivalents	85,084	85,084	–	–
	<b>177,695</b>	<b>177,348</b>	<b>–</b>	<b>347</b>
<b>Financial liabilities</b>				
Trade and other payables	(64,494)	–	(64,494)	–
Loans and borrowings	(21,438)	–	(21,438)	–
	<b>(85,932)</b>	<b>–</b>	<b>(85,932)</b>	<b>–</b>
<b>2016</b>				
<b>Financial assets</b>				
Trade and other receivables, including derivatives	88,255	87,718	–	537
Cash and cash equivalents	144,269	144,269	–	–
	<b>232,524</b>	<b>231,987</b>	<b>–</b>	<b>537</b>
<b>Financial liabilities</b>				
Trade and other payables	(42,976)	–	(42,976)	–
Loans and borrowings	(25,895)	–	(25,895)	–
	<b>(68,871)</b>	<b>–</b>	<b>(68,871)</b>	<b>–</b>

# 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>Company</b>				
<b>2017</b>				
<b>Financial assets</b>				
Trade and other receivables	48,793	48,793	–	–
Cash and cash equivalents	55,293	55,293	–	–
	<b>104,086</b>	<b>104,086</b>	<b>–</b>	<b>–</b>
<b>Financial liabilities</b>				
Trade and other payables	(23)	–	(23)	–
Loans and borrowings	(4,465)	–	(4,465)	–
	<b>(4,488)</b>	<b>–</b>	<b>(4,488)</b>	<b>–</b>
<b>2016</b>				
<b>Financial assets</b>				
Trade and other receivables	85,901	85,901	–	–
Cash and cash equivalents	111,712	111,712	–	–
	<b>197,613</b>	<b>197,613</b>	<b>–</b>	<b>–</b>
<b>Financial liabilities</b>				
Trade and other payables	(70)	–	(70)	–
Loans and borrowings	(4,193)	–	(4,193)	–
	<b>(4,263)</b>	<b>–</b>	<b>(4,263)</b>	<b>–</b>

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

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net gains/(losses) on:				
Fair value through profit or loss	347	537	–	–
Loans and receivables	4,196	14,341	6,077	13,635
Financial liabilities measured at amortised cost	(1,190)	(654)	(145)	–
	<b>3,353</b>	<b>14,224</b>	<b>5,932</b>	<b>13,635</b>

### 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. FINANCIAL INSTRUMENTS

### 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 and 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. The ageing of trade receivables as at the end of the reporting period was:

	GROSS RM'000	INDIVIDUAL IMPAIRMENT RM'000	NET RM'000
<b>Group</b>			
<b>2017</b>			
Not past due	53,007	–	53,007
Past due 0 - 30 days	16,735	–	16,735
Past due 31 - 60 days	4,922	–	4,922
Past due more than 60 days	4,471	(624)	3,847
	<b>79,135</b>	<b>(624)</b>	<b>78,511</b>
<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>

# Notes To The Financial Statements

## 19. FINANCIAL INSTRUMENTS (CONTINUED)

### 19.4 Credit risk (continued)

#### Receivables (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 does 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:

	2017 RM'000	GROUP 2016 RM'000
At 1 July	457	382
Impairment loss recognised	538	75
Impairment loss written off	(371)	–
At 30 June	624	457

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 RM4,620,340 (2016: RM3,052,634) 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>2017</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	64,494	-	64,494	64,494	-	-	-
Secured term loans	16,872	3.48 - 7.85	18,640	7,129	4,612	5,490	1,409
Secured finance lease liabilities	1,399	4.09 - 6.02	1,489	703	648	138	-
Secured bankers' acceptances	3,167	4.25	3,167	3,167	-	-	-
	<b>85,932</b>		<b>87,790</b>	<b>75,493</b>	<b>5,260</b>	<b>5,628</b>	<b>1,409</b>
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled):							
Outflow	-	-	51,734	51,734	-	-	-
Inflow	(347)	-	(52,081)	(52,081)	-	-	-
	<b>85,585</b>		<b>87,443</b>	<b>75,146</b>	<b>5,260</b>	<b>5,628</b>	<b>1,409</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	23,548	6,286	6,969	8,573	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>71,156</b>	<b>52,829</b>	<b>7,791</b>	<b>8,816</b>	<b>1,720</b>
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled):							
Outflow	-	-	51,669	51,669	-	-	-
Inflow	(537)	-	(52,206)	(52,206)	-	-	-
	<b>68,334</b>		<b>70,619</b>	<b>52,292</b>	<b>7,791</b>	<b>8,816</b>	<b>1,720</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>2017</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	23	-	23	23	-	-	-
Secured term loans	4,465	3.48	4,774	1,342	1,300	2,132	-
Financial guarantee*	-	-	4,620	4,620	-	-	-
	<u>4,488</u>		<u>9,417</u>	<u>5,985</u>	<u>1,300</u>	<u>2,132</u>	<u>-</u>
<b>2016</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	70	-	70	70	-	-	-
Secured term loans	4,193	3.48	4,613	131	1,260	3,222	-
Financial guarantee*	-	-	3,053	3,053	-	-	-
	<u>4,263</u>		<u>7,736</u>	<u>3,254</u>	<u>1,260</u>	<u>3,222</u>	<u>-</u>

\* 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"), Chinese Yuan ("CNY"), Euro ("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:

	USD RM'000	DENOMINATED IN CNY RM'000	EUR RM'000	GBP RM'000
<b>Group</b>				
<b>2017</b>				
Trade receivables	58,557	2,167	197	194
Other receivables	4	–	–	–
Cash and cash equivalents	6,113	–	328	1
Trade payables	(5,639)	–	(5)	–
Other payables	(2,496)	–	–	(8)
Loans and borrowings	(4,465)	–	–	–
Forward exchange contracts	(52,081)	–	–	–
Net exposure	(7)	2,167	520	187
<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	(52,206)	–	–	–
Net exposure	10,199	–	2,541	564

##### *Currency risk sensitivity analysis*

A 10% (2016: 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.

	USD RM'000	DENOMINATED IN CNY RM'000	EUR RM'000	GBP RM'000
<b>Group</b>				
<b>2017</b>				
Profit or loss	1	(165)	(40)	(14)
<b>2016</b>				
Profit or loss	(775)	–	(193)	(43)

A 10% (2016: 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Fixed rate instruments</b>				
Financial assets	49,490	94,075	96,245	178,837
Financial liabilities	(4,566)	(4,487)	–	–
	<b>44,924</b>	<b>89,588</b>	<b>96,245</b>	<b>178,837</b>
<b>Floating rate instruments</b>				
Financial liabilities	(16,872)	(21,408)	(4,465)	(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 RM128,000 (2016: RM163,000) and RM34,000 (2016: RM32,000) respectively. This analysis assumes that all other variables remained constant.

## 19. FINANCIAL INSTRUMENTS

### 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.

These carrying amounts of the finance lease liabilities and floating rate term loans are categorised in Level 3.

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.

	FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE LEVEL 2 RM'000	TOTAL FAIR VALUE RM'000	CARRYING AMOUNT RM'000
<b>Group</b>			
<b>2017</b>			
<b>Financial assets</b>			
Forward exchange contracts	347	347	347
<b>2016</b>			
<b>Financial assets</b>			
Forward exchange contracts	537	537	537

#### 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.

#### Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the year (2016: none).

# Notes To The Financial Statements

## 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 2017, 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 2017 was as follows:

	2017 RM'000	GROUP 2016 RM'000
Total borrowings (Note 11)	21,438	25,895
Less: Cash and cash equivalents (Note 9)	(85,084)	(144,269)
	<u>(63,646)</u>	<u>(118,374)</u>
Total equity	<u>498,143</u>	<u>479,672</u>

No disclosure is made for debt-to-equity ratio as the Group is in a net positive cash position as at 30 June 2017.

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

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

## 21. CAPITAL COMMITMENT

	2017 RM'000	GROUP 2016 RM'000
<b>Capital expenditure commitments</b>		
<b>Property, plant and equipment</b>		
Contracted but not provided for	<u>5,933</u>	<u>5,778</u>

## 22. OPERATING LEASES

Leases as lessee

	2017 RM'000	GROUP 2016 RM'000
<b><i>Non-cancellable operating rentals are payable as follows:</i></b>		
Within one year	2,403	1,391
Between one and five years	11,222	1,739
More than five years	7,026	4,330
	<u>20,651</u>	<u>7,460</u>

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 and entity that provides key management personnel services to the Group. 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

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group and the Company, other than acquisitions (see Note 24), are shown below. The balances related to the below transactions are shown in Note 8.

	GROUP		COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>A. Subsidiary</b>				
Dividend income	-	-	-	15,000
Interest income	-	-	3,059	5,171
<b>B. Entities in which certain Directors/Directors' close family members have substantial financial interest</b>				
Sales of goods	236	162	-	-
Purchases of raw materials	725	-	-	-
<b>C. Key management personnel</b>				
<b>Directors</b>				
- Fees	440	410	440	410
- Remunerations	1,616	1,467	-	-
- Benefits	41	53	-	-
- Contributions to the state plans	275	162	-	-
Total short-term employee benefits	2,372	2,092	440	410
<b>Other key management personnel</b>				
- Remunerations	2,956	2,304	-	-
- Benefits	68	59	-	-
- Contributions to the state plans	507	280	-	-
	3,531	2,643	-	-
	5,903	4,735	440	410

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

## 24. ACQUISITION OF SUBSIDIARIES

### (a) For the financial year ended 30 June 2017

#### (i) Acquisition of a subsidiary

The Group acquired 100% of the issued and paid-up share capital of Pasante Healthcare Limited ("Pasante") for a total cash consideration of GBP6.0 million (equivalent to RM34.2 million) on 1 July 2016. The purchase consideration was paid in the previous financial year ended 2016 as advance payment for the acquisition.

	RM'000
<b>Identifiable assets acquired and liabilities assumed</b>	
Property, plant and equipment	299
Inventories	6,206
Trade and other receivables	5,493
Cash and cash equivalents	4,120
Trade and other payables	(9,131)
<b>Net assets acquired</b>	<b>6,987</b>
Goodwill	27,230
<b>Consideration paid by the Group</b>	<b>34,217</b>
<b>Fair value of the consideration paid by the Group</b>	<b>34,217</b>
Less: Cash and cash equivalents acquired	(4,120)
	<b>30,097</b>

In the 12 months to 30 June 2017, Pasante contributed revenue of RM40,952,000 and profit after tax of RM1,528,000.

#### (ii) Acquisition-related costs

The Group incurred acquisition-related costs of RM773,000 related to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in other expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

## 24. ACQUISITION OF SUBSIDIARIES

### (b) 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 approximate RM4.0 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 other expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

# Notes To The Financial Statements

## 25. 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total retained earnings of the Company and its subsidiaries:				
- realised	263,211	248,132	21,433	37,443
- unrealised	(3,119)	(4,410)	(265)	(172)
	260,092	243,722	21,168	37,271
Less: Consolidation adjustments	(119,552)	(111,080)	-	-
Total retained earnings	140,540	132,642	21,168	37,271

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 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 104 to 153 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2017 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 25 on page 154 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**

*Director*

**GOH YEN YEN**

*Director*

Johor Bahru

Date: 16 October 2017



# Statutory Declaration

pursuant to Section 251(1)(b) of the Companies Act 2016

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 104 to 154 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named Goh Chok Siang, NRIC: 710621-04-5081, at Kuala Lumpur in the Federal Territory on 16 October 2017.

**GOH CHOK SIANG**

Before me:

**D. SELVARAJ**

*Commissioner For Oaths*

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# Independent Auditors' Report To The Members Of Karex Berhad

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Karex Berhad, which comprise the statements of financial position as at 30 June 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 104 to 153.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Goodwill and intangible assets impairment assessment

Refer to Note 2(f) - Significant accounting policies: Intangible assets and Note 5 – Intangible assets.

### The key audit matter

The Group has goodwill of RM27,230,000, brands of RM62,501,000 and other intangible assets of RM5,947,000 with indefinite useful life as at 30 June 2017 which are required to be tested for impairment on an annual basis. When a review of impairment is conducted, the recoverable amount is determined based on discounted future cash flow projections using the Group's assumptions and assessment of the future results and prospects of the business. The key assumptions applied by the Group in the cash flow projections are those relating to discount rates, revenue growth rates and profit margin.

We have identified this as a key audit matter because judgement is required in our assessment of the recoverable amount and the significance of the carrying amount of the goodwill, brands and other intangible assets with indefinite useful life in the financial statements.

# Independent Auditors' Report To The Members Of Karex Berhad

## Key Audit Matters (continued)

### How the matter was addressed in our audit:

Our audit procedures performed in this area included, among others:

- We obtained the annual impairment assessment performed by the Group and agreed the cash flow projections to the approved business plans and budgets.
- We checked the mathematical accuracy of the cash flow projections.
- We evaluated the historical accuracy of the cash flow projections, by comparing the cash flow forecasts used in the prior year to the actual performance of the business in the current year.
- We assessed the appropriateness of key assumptions used in particular those relating to discount rates, revenue growth rates and profit margin applied to the cash flows, with reference to internally and externally derived sources and taking into account the Group's historical forecasting accuracy.
- We also assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflects the risks inherent in the valuation of goodwill, brands and other intangible assets.

## Inventories valuation

Refer to Note 2(g) - Significant accounting policies: Inventories and Note 7 – Inventories.

### The key audit matter

The Group is primarily involved in manufacturing and selling condoms based on the design specification prescribed by customers. As described in the significant accounting policies in Note 2(g) to the financial statements, inventories are measured at lower of cost and net realisable value. As at 30 June 2017, the Group has reported significant inventory balance of RM100,982,000.

The consumptions of these pre-printed raw materials and the demand of finished goods depend on the likelihood of repeat orders and/or the ability of the Group to sell these items. Pricing has been more competitive in the financial year under review especially in the tender market. Hence, there is a high possibility that inventories, particularly those manufactured for the tender market, may be quoted at a lower selling price.

The inventories valuation is identified as a key audit matter because judgement involved in assessing the level of inventory write down required in order to ascertain that inventories are stated at the lower of cost and net realisable value.

### How the matter was addressed in our audit:

Our audit procedures performed in this area included, among others:

- We obtained the finished goods listing with production date for identification of possible slow moving inventories and assessed the adequacy of the allowance.
- We obtained the pre-printed raw materials listing for current and prior year and analysed the movement of inventories for identification of possible slow moving inventories and assessed the adequacy of the allowance.
- We evaluated the net realisable values for finished goods as at 30 June 2017 by comparing the most recent selling prices of the finished goods to assess whether these exceeded the carrying value of inventories at year end.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

## Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Directors for the Financial Statements**

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

# Independent Auditors' Report To The Members Of Karex Berhad

## Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 4 to the financial statements.

## Other Reporting Responsibilities

The supplementary information set out in Note 25 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**KPMG PLT**  
(LLP0010081-LCA & AF 0758)  
Chartered Accountants

**LAM SHUH SIANG**  
Approval Number: 03045/02/2019 (J)  
Chartered Accountant

Johor Bahru

Date: 16 October 2017



# 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 2017 (RM'000)
1.	PTD 7906, Taman Pontian Jaya, Batu 34 Jalan Johor, 82000 Pontian, Johor Darul Takzim	9,354/ 5,460	1½ storey semi-detached building which we use as office, factory and warehouse	05/04/2000	Freehold	–	24	508
2.	PTD 7907, Taman Pontian Jaya, Batu 34 Jalan Johor, 82000 Pontian, Johor Darul Takzim	10,807/ 5,460	1½ storey semi-detached building which we use as office, factory and warehouse	05/04/2000	Freehold	–	24	508
3.	Lot 1235, Benut, 82000 Pontian, Johor Darul Takzim	225,418/ –	Vacant land	10/09/2002	Freehold	–	–	813
4.	PTD 7915, Taman Pontian Jaya, Batu 34 Jalan Johor, 82000 Pontian, Johor Darul Takzim	9,720/ 5,460	1½ storey semi-detached building which we use as warehouse	22/02/2005	Freehold	–	24	549
5.	Lot 2767, Jalan Johor, 82000 Pontian, Johor Darul Takzim	781,335/ –	Building under construction	21/10/2010	Freehold	–	–	10,508
6.	Lot 1863, Batu 39 ½, Jalan Johor, 82000 Pontian, Johor Darul Takzim	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	24	654
7.	Lot 2491, Batu 39 ½, Jalan Johor, 82000 Pontian, Johor Darul Takzim	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	24	1,951
8.	Lot 2244, Batu 39 ½, Jalan Johor, 82000 Pontian, Johor Darul Takzim	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	24	1,406

# 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 2017 (RM'000)
9.	Lot 2256, Batu 39 ½, Jalan Johor, 82000 Pontian, Johor Darul Takzim	199,477/ 128,808	Single storey semi-detached building which we use as office, factory and warehouse	27/07/2015	Freehold	–	24	8,693
10.	Lot 1368, Batu 39 ½, Jalan Johor, 82000 Pontian, Johor Darul Takzim	37,598	Vacant Land	27/07/2015	Agriculture Freehold	–	–	376
11.	Lot 1369, Batu 39 ½, Jalan Johor, 82000 Pontian, Johor Darul Takzim	101,549	Vacant Land	27/07/2015	Agriculture Freehold	–	–	1,015
12.	Lot 2515, Batu 39 ½, Jalan Johor, 82000 Pontian, Johor Darul Takzim	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	26	6,103
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	29	9,916
15.	PTD 8746 Taman Perindustrian Pontian, 82000 Pontian, Johor Darul Takzim	61,680/ –	Vacant land	14/10/2005	Leasehold 60 years	November 2056	–	790
16.	Land Slot No.: E1-6 Export Processing Zone, Southern Industrial Estate Village 4, Tumbol Chalung, Amphur Hat Yai, Songkhla, Thailand	64,446/ 37,835	1½ storey building which we use as office, factory and warehouse	30/04/2003	Leasehold 30 years	April 2033	12	1,688

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 2017 (RM'000)
17.	Land Slot No.: E1-7 Export Processing Zone, Southern Industrial Estate Village 4, Tumbol Chalung, Amphur Hat Yai, Songkhla, Thailand	65,182/ 29,773	Single storey building which we use as office, factory and warehouse	09/02/2003	Leasehold 30 years	February 2036	12	2,448
18.	Land Slot No.: E1-8 Export Processing Zone, Southern Industrial Estate Village 4, Tumbol Chalung, Amphur Hat Yai, Songkhla, Thailand	65,488/ 43,099	Single storey building which we use as warehouse	01/11/2012	Leasehold 30 years	October 2042	3	3,282
19.	Land Slot No.: E1-9-11 Export Processing Zone, Southern Industrial Estate Village 4, Tumbol Chalung, Amphur Hat Yai, Songkhla, Thailand	194,394/ 105,092	Single storey factory	01/08/2014	Leasehold 30 years	July 2044	2	20,040
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	32	8,114
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	32	1,863

# Analysis Of Shareholdings

As at 2 October 2017

Total Issued Share (RM)	:	RM281,980,000.00
Total Issued Share	:	1,002,375,000 Ordinary Shares
Class of Shares	:	Ordinary Share
Voting Rights	:	One vote per ordinary share
Number of Shareholders	:	11,042

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
Less than 100	291	2.64	11,842	0.00
100 - 1,000	1,509	13.66	1,011,377	0.10
1,001 - 10,000	6,569	59.49	30,639,401	3.06
10,001 - 100,000	2,384	21.59	66,439,676	6.63
100,001 to less than 5% of issued shares	287	2.60	517,522,748	51.62
5% and above of issued shares	2	0.02	386,749,956	38.59
<b>Total</b>	<b>11,042</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	322,437,500	32.17	–	–
- 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	354,349,956 <sup>(*)</sup>	35.35

<sup>(\*)</sup> Deemed interested by virtue of his interest in AJNA Holdings Limited pursuant to Section 8 of the Companies Act 2016 and shares held by his spouse.

**DIRECTORS' SHAREHOLDINGS**

NAME OF DIRECTORS	DIRECT INTEREST		INDIRECT INTEREST	
	NO OF SHARES	%	NO OF SHARES	%
Tan Sri Dato' Seri Utama Arshad Bin Ayub	3,400,000	0.34	1,250,000 <sup>(1)</sup>	0.12
Dato' Dr. Ong Eng Long @ Ong Siew Chuan	320,000	0.03	–	–
Goh Siang	23,643,852	2.36	332,437,500 <sup>(2)</sup>	33.16
Goh Leng Kian	36,468,865	3.64	323,011,250 <sup>(2)</sup>	32.22
Goh Yen Yen	25,499,956	2.54	322,437,500 <sup>(3)</sup>	32.17
Lam Jiuan Jiuan	19,087,456	1.90	399,574,956 <sup>(4)</sup>	39.86
Wong Yien Kim	–	–	–	–
Law Ngee Song	258,750	0.03	–	–

**Notes:**

- (1) Deemed interested by virtue of interest held by Zalaraz Sdn Bhd pursuant to Section 8 of the Companies Act 2016 ("CA2016")
- (2) Deemed interested by virtue of interest held by Karex One Limited pursuant to Section 8 of the CA2016 and shares held by their spouses pursuant to Section 59(11)(c) of the CA2016
- (3) Deemed interested by virtue of interest held by Karex One Limited pursuant to Section 8 of the CA2016
- (4) Deemed interested by virtue of interest held by Karex One Limited and AJNA Holdings Limited pursuant Section 8 of the CA2016 and shares held by her spouse pursuant to Section 59(11)(c) of the CA2016



# Thirty Largest Shareholders

As at 2 October 2017

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES	%
1.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BNP PARIBAS SINGAPORE BRANCH (A/C CLIENTS-FGN)	322,437,500	32.17
2.	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR LAM YIU PANG ALBERT (PB)	44,312,456	4.42
3.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GOH LENG KIAN (PB)	27,468,865	2.74
4.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GOH YIN (PB)	25,837,470	2.58
5.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GOH MIAH KIAT (PB)	25,500,097	2.54
6.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GOH YEN YEN (PB)	25,499,956	2.54
7.	GOH AI NOI	25,162,456	2.51
8.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (HK BR-TST-ASING)	20,000,000	2.00
9.	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	19,433,200	1.94
10.	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR LAM JIUAN JIUAN (PB)	19,087,456	1.90
11.	CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND C068 FOR TIAA-CREF INTERNATIONAL OPPORTUNITIES FUND (TIAA-CREF FUNDS)	16,983,200	1.69
12.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)	14,634,200	1.46
13.	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	13,612,500	1.36
14.	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR AJNA HOLDINGS LIMITED (PB)	12,825,000	1.28
15.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ABERDEEN)	12,630,400	1.26
16.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR GOH SIANG (PBCL-OG0198)	12,500,000	1.25
17.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR GOH SIANG (PBCL-OG0200)	11,000,000	1.10
18.	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR MATTHEWS ASIA SMALL COMPANIES FUND	10,820,825	1.08
19.	LIM POH CHUAN	10,000,000	1.00

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES	%
20.	HSBC NOMINEES (ASING) SDN BHD JPMBL SA FOR SCHRODER INTERNATIONAL SELECTION FUND	9,928,825	0.99
21.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR GOH LENG KIAN (PBCL-0G0199)	9,000,000	0.90
22.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND W4B0 FOR WASATCH INTERNATIONAL OPPORTUNITIES FUND	8,954,830	0.89
23.	CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND C041 FOR COLLEGE RETIREMENT EQUITIES FUND	8,333,325	0.83
24.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR SKANDINAVISKA ENSKILDA BANKEN S.A. (CLT ASSET UCITS)	7,188,050	0.72
25.	UOBM NOMINEES (ASING) SDN BHD BANQUE DE LUXEMBOURG FOR BL EMERGING MARKETS	7,000,000	0.70
26.	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR SCHRODER SMALL CAP DISCOVERY FUND	6,481,700	0.65
27.	AMANAHRAYA TRUSTEES BERHAD PB SMALLCAP GROWTH FUND	5,851,400	0.58
28.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND JNA3 FOR JNL/OPPENHEIMER EMERGING MARKETS INNOVATOR FUND	5,633,200	0.56
29.	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK J.SAFRA SARASIN LTD, SINGAPORE BRANCH (BSCSG) (AC CLIENT FRGN)	5,486,850	0.55
30.	AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND	5,141,300	0.51
<b>TOTAL</b>		<b>748,745,061</b>	<b>74.70</b>

# Notice Of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Fifth Annual General Meeting ("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, 27 November 2017 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 2017 together with the Reports of the Directors and the Auditors thereon.

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

2. To re-elect Law Ngee Song who is retiring in accordance with the Article 95 of the Company's Constitution, and being eligible, has offered himself for re-election.

**(Ordinary Resolution 1)**

Goh Siang who retires by rotation in accordance with the Article 95 of the Company's Constitution has expressed his intention not to seek for re-election. Hence, he will retain office until the close of the Fifth AGM of the Company.

3. To re-appoint Tan Sri Dato' Seri Utama Arshad Bin Ayub as Director of the Company.

**(Ordinary Resolution 2)**

4. To re-appoint Dato' Dr. Ong Eng Long @ Ong Siew Chuan as Director of the Company.

**(Ordinary Resolution 3)**

5. To re-appoint Goh Yen Yen as Director of the Company.

**(Ordinary Resolution 4)**

6. To approve the payment of Directors' fees of RM440,000.00 for the financial year ended 30 June 2017.

**(Ordinary Resolution 5)**

7. To approve the payment of Directors' Benefits (excluding Directors' Fees) payable to the Directors of the Company and its subsidiaries up to an amount of RM100,000 for the financial period from 1 February 2017 until the conclusion of the next AGM of the Company.

**(Ordinary Resolution 6)**

8. To approve the payment of a final single tier dividend of 1.0 sen per ordinary share for the financial year ended 30 June 2017.

**(Ordinary Resolution 7)**

9. To re-appoint KPMG PLT 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 Ordinary Resolutions with or without any modifications:

10. **Authority to Issue Shares Pursuant to Companies Act 2016**

"THAT subject always to the Companies Act 2016 ("Act"), the Company's Constitution, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and approvals of any other relevant governmental/regulatory bodies, the Directors be and are hereby empowered to issue and allot shares in the Company pursuant to Sections 75 and 76 of the Act, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this Resolution does not exceed 10% of the total issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company or the expiration of the period within which the next AGM is required to be held, whichever is earlier, unless such authority is revoked or varied by resolution passed by the shareholders in general meeting."

**(Ordinary Resolution 9)**

11. 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 5<sup>th</sup> AGM, a final single tier dividend of 1.0 sen per ordinary share for the financial year ended 30 June 2017, if approved, will be paid on the 18 December 2017 to holders of ordinary shares registered in the Record of Depositors of the Company at the close of business on 8 December 2017.

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 8 December 2017 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*

Selangor Darul Ehsan

Dated this 31<sup>st</sup> day of October 2017

### 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.

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 10<sup>th</sup> 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 2017 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 Constitution.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of a poll.

## EXPLANATORY NOTES ON ORDINARY AND SPECIAL BUSINESS

### (a) Item 1 of the Agenda

*Audited Financial Statements for the financial year ended 30 June 2017.*

The Audited Financial Statements under this agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 ("the Act") does not require a formal approval of the shareholders and hence this item is not put forward for voting.

### (b) Ordinary Resolutions 2, 3 and 4 *Re-appointment of Directors*

Tan Sri Dato' Seri Utama Arshad Bin Ayub, Dato' Dr. Ong Eng Long @ Ong Siew Chuan and Madam Goh Yen Yen were re-appointed as Directors of the Company at the 4<sup>th</sup> AGM held on 28 November 2016 pursuant to Section 129(6) of the Companies Act 1965 to hold office until the conclusion of this AGM. Resolutions 2, 3 and 4, if passed, will enable them to continue their office as Directors of the Company following the conclusion of this AGM. The Act (which repealed the Companies Act 1965) no longer requires the continuation in office by a director over 70 years of age to be subject to shareholders' approval at each AGM. Accordingly, if Resolutions are passed, Tan Sri Dato' Seri Utama Arshad Bin Ayub, Dato' Dr. Ong Eng Long @ Ong Siew Chuan and Madam Goh Yen Yen's continuation in office will thereafter be subject to retirement by rotation pursuant to the Company's Constitution.

### (c) Ordinary Resolutions 5 & 6

*Payment of Directors' fees and benefits made payable to the Directors*

Section 230(1) of the Act which came into effect on 31 January 2017, provides amongst others, that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

In this respect, the Board wishes to seek for shareholders' approval at the 5<sup>th</sup> AGM for the payment of Directors' fees and benefit payable to the Directors: -

- (i) Resolution 5 on the proposed Directors' fees of RM440,000.00 in respect of the financial year ended 30 June 2017;
- (ii) Resolution 6 on the payment of Directors' Benefits (excluding Directors' Fees) payable to the Directors of the Company and its subsidiaries up to an amount of RM100,000 for the financial period from 1 February 2017 until the conclusion of the next Annual General Meeting ("Relevant Period"). The benefits comprise of the meeting allowance, which will only be accorded based on actual attendance of meetings by the Directors.

### (d) Ordinary Resolution 9

*Authority to Issue Shares*

The proposed Resolution 9 is primarily to seek for the renewal of a general mandate to give flexibility to the Board of Directors to issue and allot shares up to 10% of the issued share capital (excluding treasury shares) of the Company for the time being, at any time in their absolute discretion without convening a general meeting (hereinafter referred to as the "General Mandate").

The Company has been granted a general mandate by its shareholders at the last AGM held on 28 November 2016 (hereinafter referred to as the "Previous Mandate") and it will lapse at the conclusion of the 5<sup>th</sup> AGM.

As at the date of this Notice, the Previous Mandate granted by the shareholders had not been utilised and hence, no proceed was raised therefrom.

The purpose to seek the General Mandate is to enable the Directors to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting as it would be both time-consuming and costly to organise a general meeting. This General Mandate, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next AGM of the Company.

The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), acquisitions, working capital and/or settlement of banking facilities.

# Statement Accompanying Notice Of 5<sup>th</sup> Annual General Meeting

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, there are no individuals who are standing for election as Directors (excluding the above Directors who are standing for re-election or re-appointment) at the 5<sup>th</sup> AGM 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 Fifth 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, 27 November 2017 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 Law Ngee Song as Director of the Company		
2.	To re-appoint Tan Sri Dato' Seri Utama Arshad Bin Ayub as Director of the Company		
3.	To re-appoint Dato' Dr. Ong Eng Long @ Ong Siew Chuan as Director of the Company		
4.	To re-appoint Madam Goh Yen Yen as Director of the Company		
5.	To approve the payment of Directors' fees		
6.	To approve the payment of Directors' Benefits (excluding Directors' Fees)		
7.	To approve Final Single Tier Dividend		
8.	To re-appoint KPMG PLT as Auditors of the Company		
9.	<b>SPECIAL BUSINESS</b> Authority to Issue Shares		

Note: Please note that the short descriptions given above of the Resolutions to be passed do not in any way whatsoever reflect the intent and purpose of the Resolutions. The short descriptions have been inserted for convenience only. Shareholders are encouraged to refer to the Notice of Annual General Meeting for the full purpose and intent of the Resolutions to be passed.

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 ..... 2017

.....  
Signature / Common Seal of Shareholder

## 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.
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 10<sup>th</sup> 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 2017 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 Constitution.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of 5<sup>th</sup> Annual General Meeting will be put to vote by way of a poll.
8. Any alteration in this form must be initialised.

FOLD HERE

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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**KAREX BERHAD** (1018579-U)  
LOT 594, PERSIARAN RAJA LUMU,  
PANDAMARAN INDUSTRIAL ESTATE,  
42000 PORT KLANG,  
SELANGOR DARUL EHSAN, MALAYSIA

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W : [KAREX.COM.MY](http://KAREX.COM.MY)

**KAREX.COM.MY**