

annual report 2021



karex

Our Mission

We continuously aim to build an organisation that responds to the changing views and needs of sexual health and to develop products that inspire better, healthier choices. We champion social responsibility, not just as moral imperatives but to build better, stronger relationships with stakeholders within our communities. We cultivate entrepreneurship, diversity and the desire to excel in the things we do.

Our Vision

To be the world's leading provider in sexual wellness by developing the most creative, inspiring and unique experiences for the global community.

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Corporate Information

BOARD OF DIRECTORS

Tun Dato' Seri Arshad Ayub
Chairman
Independent
Non-Executive Director

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

Professor Dato' Dr. Adeeba binti Kamarulzaman
Independent
Non-Executive Director

Dato' Edward Siew Mun Wai
Independent
Non-Executive Director

Wong Yien Kim
Independent
Non-Executive Director

Lam Jiuan Jiu
Non-Independent
Non-Executive Director

Goh Yen Yen
Non-Independent
Non-Executive Director

Goh Leng Kian
Executive Director

Goh Miah Kiat
Executive Director
Chief Executive Officer

AUDIT COMMITTEE

Wong Yien Kim
Chairman
Independent
Non-Executive Director

Tun Dato' Seri Arshad Ayub
Member
Independent
Non-Executive Director

Dato' Dr. Ong Eng Long @ Ong Siew Chuan
Member
Senior Independent
Non-Executive Director

Professor Dato' Dr. Adeeba binti Kamarulzaman
Member
Independent
Non-Executive Director

Dato' Edward Siew Mun Wai
Member
Independent
Non-Executive Director

RISK MANAGEMENT COMMITTEE

Lam Jiuan Jiu
Chairwoman
Non-Independent
Non-Executive Director

Dato' Dr. Ong Eng Long @ Ong Siew Chuan
Member
Senior Independent
Non-Executive Director

Professor Dato' Dr. Adeeba binti Kamarulzaman
Member
Independent
Non-Executive Director

Goh Miah Kiat
Member
Executive Director
Chief Executive Officer

Goh Chok Siang
Member
Chief Financial Officer

REMUNERATION COMMITTEE

Tun Dato' Seri Arshad Ayub
Chairman
Independent Non-Executive Director

Dato' Dr. Ong Eng Long @ Ong Siew Chuan
Member
Senior Independent
Non-Executive Director

Goh Yen Yen
Member
Non-Independent
Non-Executive Director

NOMINATION COMMITTEE

Tun Dato' Seri Arshad Ayub
Chairman
Independent
Non-Executive Director

Wong Yien Kim
Member
Independent
Non-Executive Director

Lam Jiuan Jiu
Member
Non-Independent
Non-Executive Director

Corporate Information

COMPANY SECRETARIES**Lim Lee Kuan**

(SSM PC No. 202008001079)
(MAICSA 7017753)

Teo Mee Hui

(SSM PC No. 202008001081)
(MAICSA 7050642)

Elizabeth Allison De Zilva

(SSM PC No. 202008002112)
(MAICSA 7030086)

REGISTERED OFFICE

10th 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**Boardroom Share Registrars
Sdn Bhd (199601006647 (378993-D))**

11th Floor, Menara Symphony
No. 5, Jalan Professor Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : +603-7890 4700
Fax : +603-7890 4670

**AUDITORS****KPMG PLT****(LLP0010081-LCA & AF 0758)**

Chartered Accountants
Level 3, CIMB Leadership Academy
No. 3, Jalan Medini Utara 1
Medini Iskandar
79200 Iskandar Puteri
Johor, Malaysia
Tel : +607-266 2213
Fax : +607-266 2214

BANKERS

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

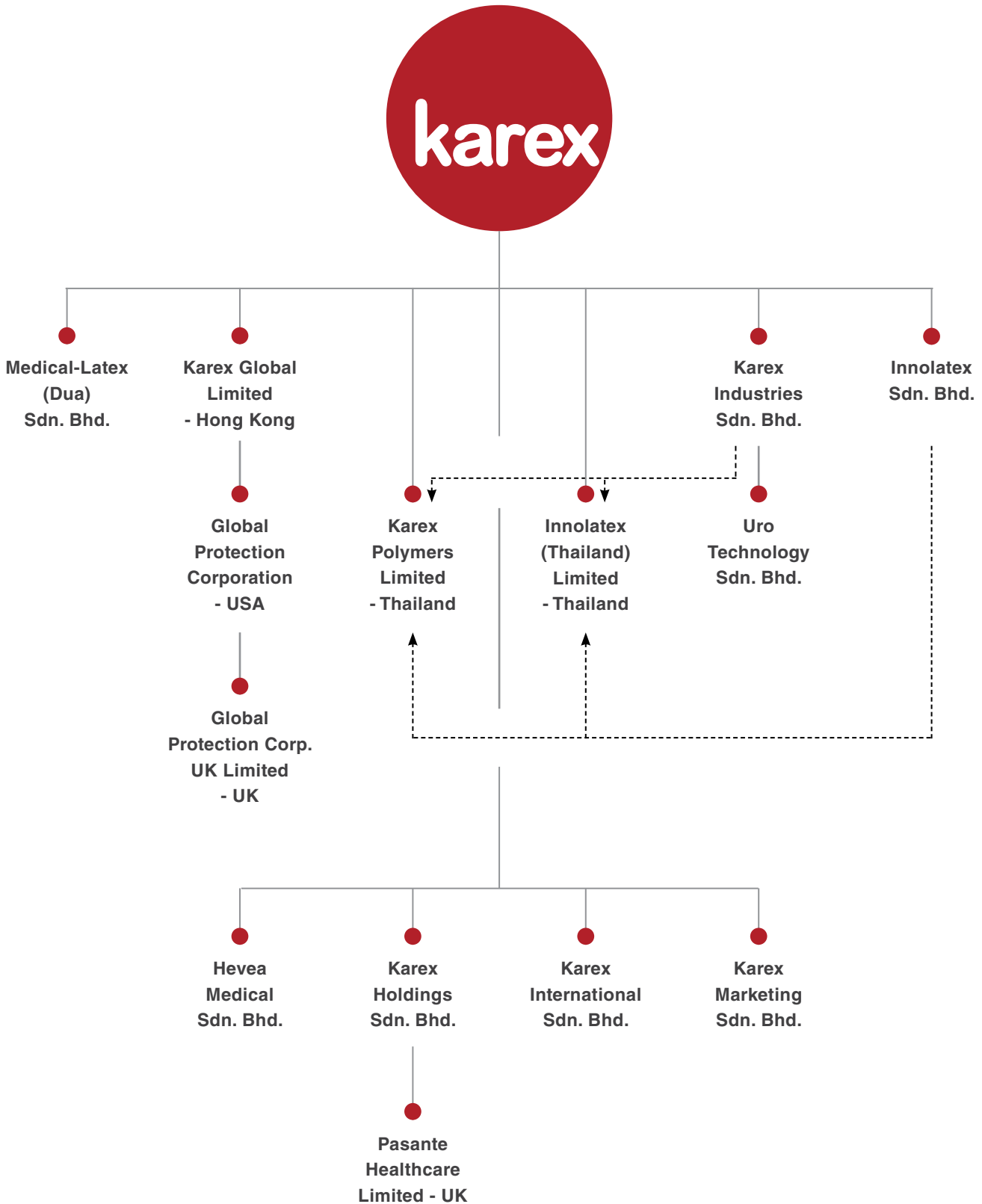
STOCK EXCHANGE LISTING

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

Corporate Structure

As at 30 September 2021

● 100% ←----- 1 share



Key Strategies

CORE COMPETENCIES

Our manufacturing teams have faced new experiences from internal and external sources during the year that have challenged us in unprecedented ways. It is imperative that we continue to finetune our processes and workflows in order to take advantage of opportunities and evolve as a manufacturer within the sexual health and medical devices industry.

INNOVATION

The disruptions caused by COVID-19 have been difficult for organisations to overcome but they have also ignited new innovations. Goals and motivations behind innovations will include a renewed focus on developing sustainability and resilience in the business that goes beyond just maximising profits and minimising costs in the short term. Our approach to research and development utilises new technologies to deliver our customers new products that are better suited to the needs of the 'new normal' moving forward.

BRANDING

In a period where major events have been cancelled all around the world, the consumer industry has had to pivot its strategies to the digital world. This has seen technology enter our lives in a way that has it has never been seen before and our brands have had to adapt accordingly to stay abreast of changing trends and expectations.

HUMAN CAPITAL

In ensuring that our business was not disrupted by developments during the pandemic, we made sure that the health and safety of our employees remained an absolute priority. This entails continuing to ensure that our people are afforded the proper support to constantly feel safe and protected whilst allowing them to focus on performing and delivering results for the business.

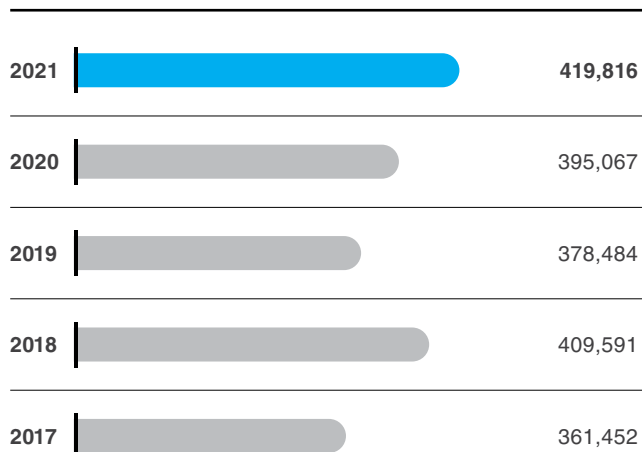
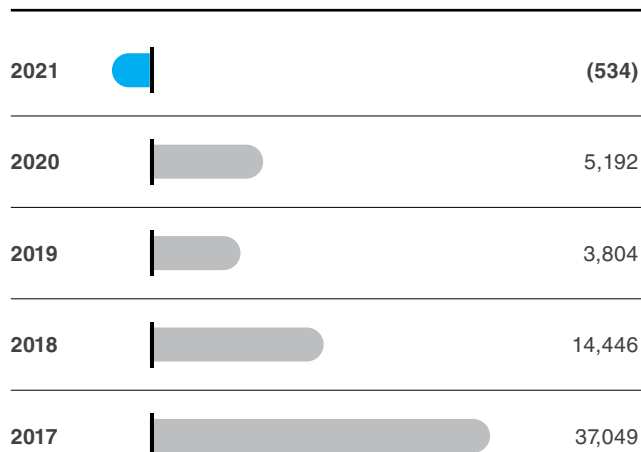
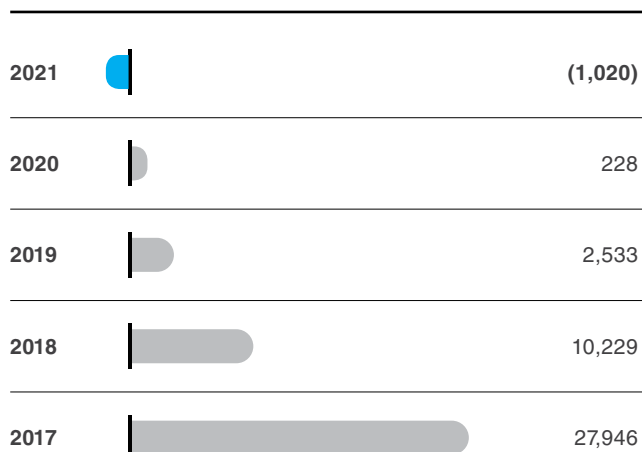
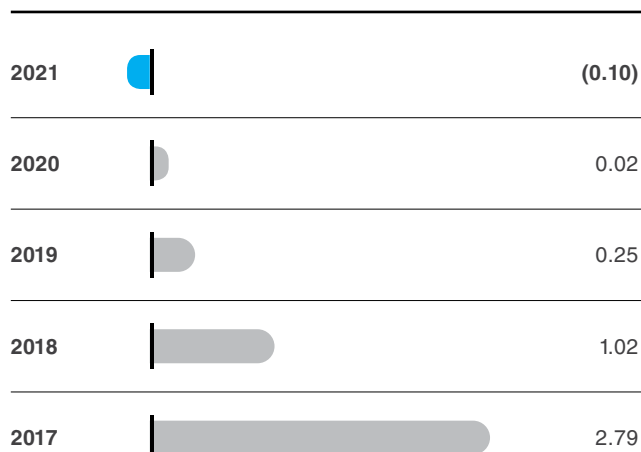
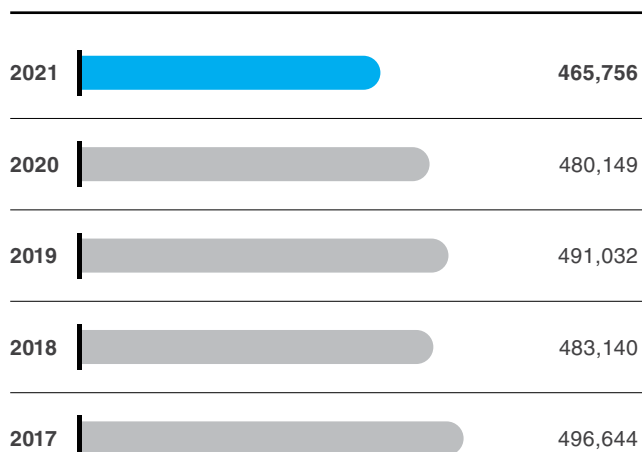
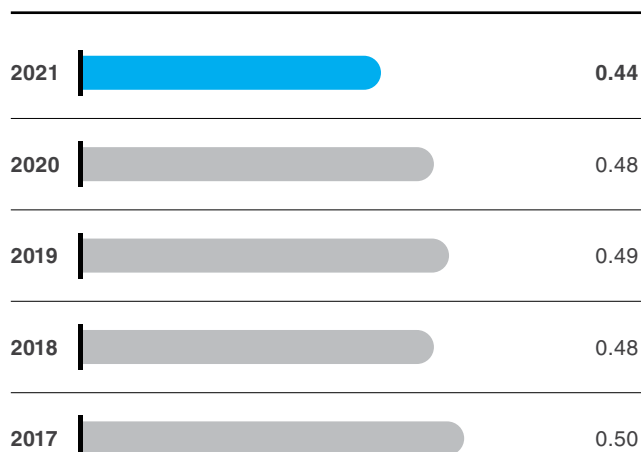
Financial Highlights

FINANCIAL YEAR ENDED 30 JUNE

	2017	2018	2019	2020	2021
Financial Performance (RM'000)					
(i) Revenue	361,452	409,591	378,484	395,067	419,816
(ii) Profit/ (Loss) before tax	37,049	14,446	3,804	5,192	(534)
(iii) Profit/ (Loss) attributable to owners of the Company	27,946	10,229	2,533	228	(1,020)
Financial Position (RM'000)					
Assets					
(i) Total tangible assets	496,841	488,984	498,534	524,299	579,262
(ii) Net assets	496,644	483,140	491,032	480,149	465,756
(iii) Current assets	294,840	277,500	275,885	273,577	292,469
Liabilities and Shareholders' Funds					
(i) Current liabilities	75,801	81,249	85,368	106,960	157,744
(ii) Paid-up share capital	281,980	281,980	281,980	281,980	324,244
(iii) Shareholders' funds	496,644	483,140	491,032	480,149	465,756
Per Share					
(i) Basic earning/ (loss) (sen) *	2.79	1.02	0.25	0.02	(0.10)
(ii) Net assets (RM) **	0.50	0.48	0.49	0.48	0.44
* Based on weighted average number of shares issued ('000)	1,002,375	1,002,375	1,002,375	1,002,375	1,028,828
** Based on number of shares issued ('000)	1,002,375	1,002,375	1,002,375	1,002,375	1,053,461
Financial Ratios					
(i) Return on total tangible assets (%)	5.62	2.06	0.51	0.04	(0.18)
(ii) Return on shareholders' funds (%)	5.63	2.09	0.52	0.05	(0.22)
(iii) Current ratio (times)	3.89	3.42	3.23	2.56	1.85
(iv) Gearing ratio (times)	0.04	0.06	0.07	0.11	0.25
(v) Gearing ratio net of cash (times)	N/A ^{a)}	N/A ^{a)}	N/A ^{a)}	0.01	0.13

^{a)} No disclosure of gearing ratio net of cash (times) as the Group is in a net positive cash flow position.

Financial Highlights

REVENUE
(RM'000)**PROFIT/ (LOSS) BEFORE TAX**
(RM'000)**PROFIT/ (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY**
(RM'000)**BASIC EARNING/ (LOSS) PER SHARE**
(Sen)**NET ASSETS**
(RM'000)**NET ASSETS PER SHARE**
(RM)

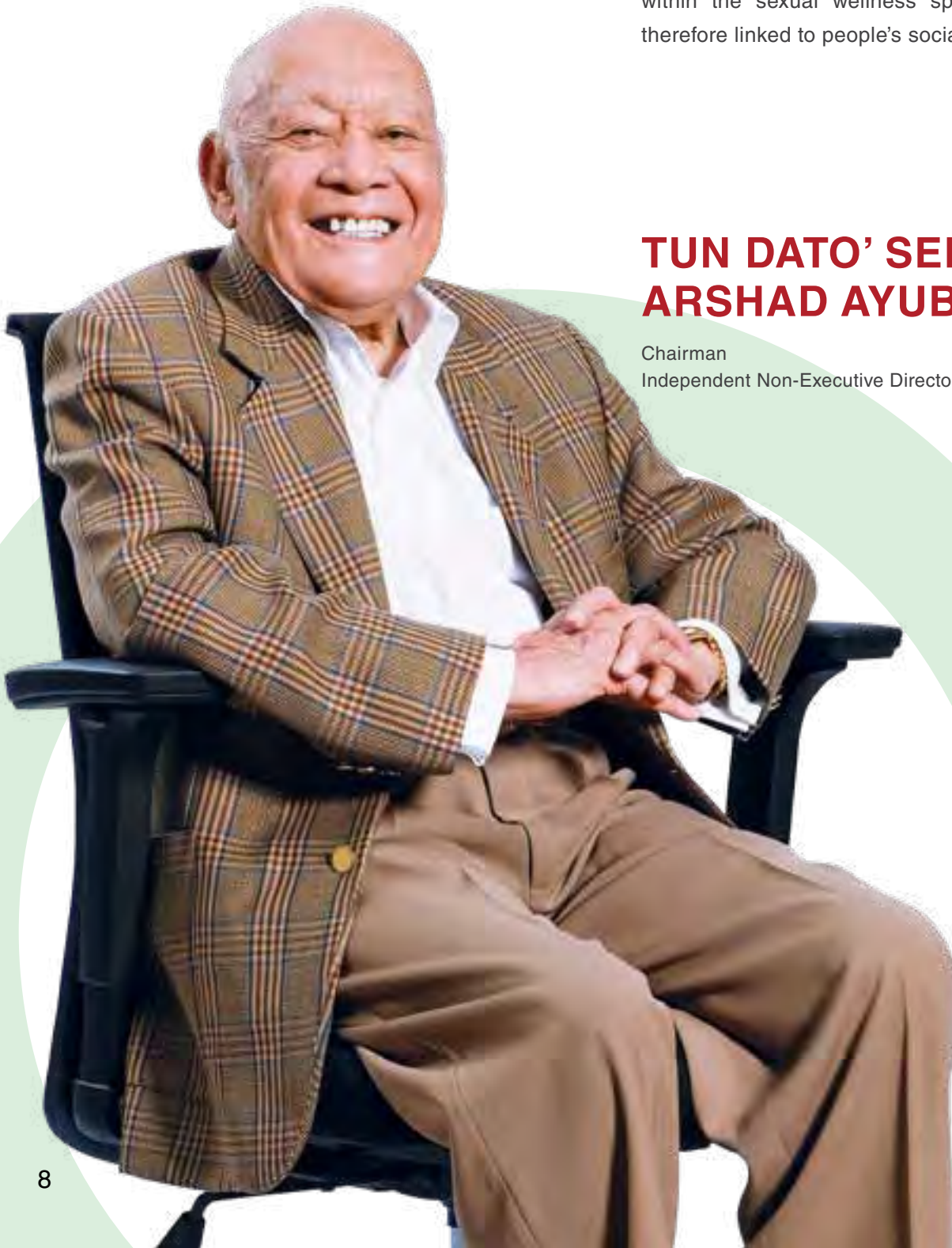
Chairman's Statement

DEAR FELLOW SHAREHOLDERS,

The past year was unlike any before it. The global health and economic crisis created difficult conditions for our customers and our teams, with everyone having to contend with tough restrictions on their freedom in order to prioritise their personal health and safety. This had direct repercussions on our Group as most of our consumer goods products remain within the sexual wellness space and are therefore linked to people's social lives.

TUN DATO' SERI ARSHAD AYUB

Chairman
Independent Non-Executive Director



Chairman's Statement

▲ 6%

Revenue

RM419.8M

On the operations side, these same restrictions limited our ability to operate at optimum capacity due to headcount limitations and supply chain interruptions. The persisting disruption to global logistics networks also elevated freight rates and caused us to experience extended delivery times for many of our orders. This required us to leverage on our investments in automation and research and development in order to remain competitive during the year.

Nevertheless, even though the operating environment will remain unfavourable and we will be living with the effects of COVID-19 for another few years, I believe our Group has already demonstrated that it has the capabilities to emerge stronger. We identified an opportunity presented by the heightened global emphasis on hygiene and disease prevention to venture into the production of gloves, a product that we believe will complement our medical product offerings moving forward.

Our Group also continued our impressive sales growth trajectory, registering a revenue of RM419.8 million, corresponding to an improvement of more than 6% from the previous year. This sales performance was especially encouraging considering many governments and institutional purchasers were constrained by tighter budgets whilst lockdowns around the world also dampened socialising and nightlife. The worsening of the COVID-19 situation in Malaysia and the aforementioned disruption of global logistics networks also resulted in elevated distribution expenses that pressured profitability during the year.

As we approach this year's annual general meeting, we also thank Wong Yien Kim, who has served on our Board as an Independent Director since listing, as he will not stand for re-election this year. His insights and guidance have been integral during this period in his capacity as a Board member and Chairman of the Audit Committee. We in turn extended a warm welcome to Dato' Edward Siew Mun Wai who joined our Board in November 2020, bringing with him a wealth of financial and corporate experience. He will no doubt be a valuable asset in supporting our Group through these unpredictable times moving forward.

Despite the pressures on profitability during the year, our Group remains well-placed to capitalise on the opportunities presented by the easing of COVID-19 restrictions globally. Our management team and outstanding workforce led by MK Goh have demonstrated admirable resiliency and resolve that I am confident will translate into returns for our stakeholders. Finally, on behalf of our Board, let me express our profound appreciation to the tireless team at Karex for their effort and commitment during a most challenging year.

Tun Dato' Seri Arshad Ayub
Chairman

CEO's Management Discussion & Analysis

INDUSTRY OVERVIEW

At the start of 2020, nobody could have imagined just how dramatically our world was about to change due to a virus that has persisted to impact billions of people around the world in unimaginable ways. As it stands, the COVID-19 pandemic currently sits near the top of a list of pathogens that humanity has so far failed to control, much less eliminate and it has undoubtedly overshadowed the fight against HIV/AIDS in recent times.

MK GOH

Chief Executive Officer



CEO's Management Discussion & Analysis

Nevertheless, we must not overlook the frightening fact that even forty years after the first cases of AIDS were documented, the world is still reporting 1.5 million new HIV infections and 680,000 deaths from AIDS-related causes per year. This represents the immense scale of the virus that still is an ever-present in many places around the world despite a formidable global response over the last few decades that has resulted in a 47% decline in AIDS-related mortality since 2010.

At the core of this response, the proper distribution and application of condoms and lubricants continue to prove extremely effective in preventing the transmission of HIV, other sexually transmitted infections and unintended pregnancies. In this year's Global AIDS Update 2021 published by UNAIDS, it is estimated that condom use since 1990 has averted 117 million new infections, with close to half (47%) of them in sub-Saharan Africa and more than one third (37%) in Asia and the Pacific.

The implication of disruptions to such a vital component of our HIV/AIDS response is amplified by the fact that the World Health Organisation reported that access to birth control is one of the sexual and reproductive health issues that has been most impacted by the COVID-19 pandemic. It is critical that whilst we have managed to make strides to get control of the pandemic situation to date, we must not lose focus of the fact that condoms will still have a critical role to play as the world emerges from its fight against the COVID-19 virus.

Closer to home, the worsening of the COVID-19 pandemic situation in Malaysia and Thailand during the year also required us to shift our perspectives in order to ensure that the safety of our own employees and communities were safeguarded. During the year we took several precautionary steps that went above and beyond what were required by government mandates in order to ensure that the wellbeing of our people was given the appropriate priority. These measures are detailed within our Operational Highlights as well as in the Sustainability Statement that can be found on pages 16 to 27 of this Report.

OPERATIONAL HIGHLIGHTS

In order to ensure minimal disruptions to our operations during the year, we had to devise and adopt new ways of working. This firstly required developing a business continuity plan with our crisis management teams and then ensuring our employees were equipped with the appropriate equipment to allow them to work remotely. Although not previously commonplace within our organisation, we decided to implement these measures as the COVID-19 situation worsened in Malaysia during the year. Notwithstanding that, e-platforms and remote working arrangements opened up new avenues to conduct training and ultimately improved the communication skills of many of our teams.

The COVID-19 pandemic also caused widespread interruption to logistics networks around the world that had never been experienced before. Our teams had to overcome challenges in managing our supply chains as well as react to shipment delays in order to ensure products were delivered to customers in a timely fashion. Our improved inventory management system proved invaluable in assisting us to plan our orders but ultimately these logistics problems



CEO's Management Discussion & Analysis



resulted in many orders being held in-transit for prolonged periods of time or in the worst cases, required more expensive means of delivery to be contracted. Stabilising our operations was made even more problematic as the prices of many of our raw materials fluctuated unpredictably over the course of the year.

The investments in automation that we have made over the last few years bore fruits during the year. The use of purpose-built machines yielded efficiency improvements especially within the electronic testing and packaging stages of production that allowed us to deliver record sales for our Group in spite of the headcount restrictions faced by our Malaysian operations throughout the year. A record proportion of our sales were also notably delivered in the form of fully packed products that were previously much more manual labour intensive and not as commonplace looking back a few years ago. Nevertheless, our teams rose to the occasion to successfully complete these orders with the same headcounts at our facilities a year ago.

The expansion to our catheter capacity at our Thailand facility over the past year also equipped us to deliver record sales for our Medical division. This division is expected to play a more important role as consumers around the world become more aware of the growing intricacies to medical device certifications arising from the pandemic. To further bolster our product offerings within this space, we commenced construction of a glove facility in Hat Yai, Thailand that is expected to enable us to sell complementary offerings to our customers within the medical products industry.

We have also during the year commissioned our dedicated research facility in Pontian, Johor. This facility has been outfitted with state-of-the-art equipment that is designed to enable us to work on new material applications for our products as well as improve the quality and consistency in our existing manufacturing processes. This facility also serves to highlight the importance that we place on innovation in order to stay competitive within the industry for years to come.

In December 2020, we successfully completed the acquisition of the remaining outstanding shares in Global Protection Corp. ("GPC") marking just over 6 years since our partnership was formalised through our initial shareholders agreement. During this period, GPC has expanded our brand presence amongst retailers and consistently delivered a growth in sales and market shares spearheading our impressive performance in the Americas region. GPC has also during this time worked alongside numerous healthcare organisations in order to bring awareness to sexual health throughout North America.

FINANCIAL REVIEW

Despite the challenges faced during the financial year ended 30 June 2021 ("FY2021"), our Group recorded positive growth in revenue of over 6% from the previous financial year totaling RM419.8 million. This achievement is significant as it represents new customers in new markets with successful price increases in existing markets that were required to make up for the deficit presented by the disruption within the markets of many of our longstanding customers.

CEO's Management Discussion & Analysis

Our Malaysian operations were further disrupted during the year by a worsening of the COVID-19 situation in Malaysia that required the Malaysian government to mandate two additional Movement Control Orders in the first half of 2021. These restrictions not only prevented us from operating at optimum capacity but also forced us to incur unavoidable expenses to ensure that the health and safety of our employees were safeguarded at all times. These exceptional expenses coupled with the price volatility of many of our raw materials continued to pressure gross profit margins during the year.

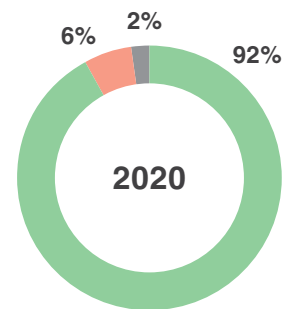
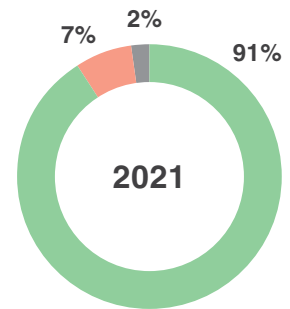
The detrimental effect on our production output was further compounded by volatile global logistics disruptions that caused global freight rates to rise at an alarming pace as well as made delivery times extremely uncertain. This required many of our customers' orders to be air freighted translating to an unavoidable increase in distribution expenses that impacted profitability even further.

As a result of having to manage these supply chain issues, total inventory stood at RM131.2 million at the end of FY2021, representing an increase of approximately 1.8% from the previous financial year. The

elevated totals included buffer stocks that we had to keep on hand in order to avoid manufacturing disruptions compared to pre-pandemic levels. Moreover, many of our shipments to customers were classified as in-transit for lengthy periods of time as a result of the many ports and distribution hubs that were overwhelmed during the year.

A positive net operating cash flow helped us to offset these rising inventory totals as well as increased working capital requirements. Our resulting year end cash balance remained healthy at RM54.1 million with a total of RM465.8 million in shareholders' funds.

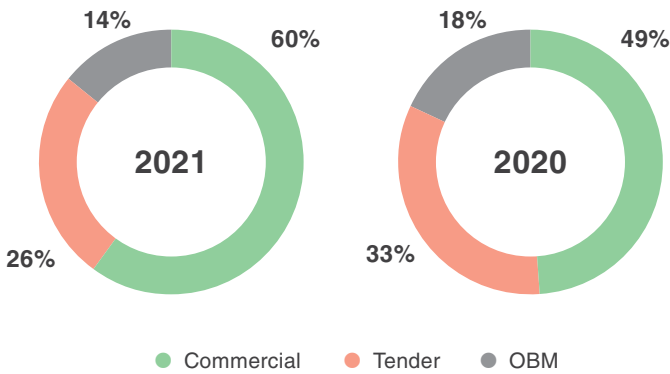
Capital expenditures for the year amounted to RM60.9 million and were mainly related to the commissioning of our glove facility in Hat Yai, Thailand. This contributed to an increase in the total non-current asset base of RM382.3 million and corresponding total asset base of RM674.8 million for the year. Much of this investment was funded by a drawdown in credit facilities resulting in an increase in gearing ratio to 0.25x for the year.



- Sexual Wellness
- Medical
- Others



CEO's Management Discussion & Analysis



Product Divisions

The Sexual Wellness division recorded a year-on-year sales growth in excess of 6% on the back of record condom sales in spite of the challenges faced by the industry as a whole. This was a notable achievement as much of the industry experienced disruptions to manufacturing operations whilst customers faced corresponding challenges in stabilising distribution networks.

Medical division sales recorded growth in excess of 10% during the year in comparison to the previous already-successful financial year. The division's performance was headlined by record catheter and probe cover sales that utilised the expansion in capacity that had been installed during the previous year. The Medical division's contribution is expected to become more significant moving forward with the addition of medical gloves to our product portfolio and as it becomes increasingly evident that the heightened emphasis on personal hygiene is likely to be present for the long term.

Market Segments

Tender sales that have traditionally been characterised by large orders made by non-government organisations for distribution via social welfare channels were amongst the most impacted during the year. Many humanitarian aid programs had budgets redirected towards emergency COVID-19 relief and consequently not able to place regular orders during the year. This dire situation was further amplified as many of the developing nations that rely on these support organisations found their healthcare networks crippled for much of the year. As a result, condom stock levels within key risk population areas have become alarmingly low with an urgent global response required if we are to prevent years of intense humanitarian efforts from being wasted in these areas.

The Commercial segment comprising of orders whereby we provide input into the design and manufacture of other brand owner products continued to grow at a rapid pace during the year. Much of this growth was catalysed by brands that shifted from traditional

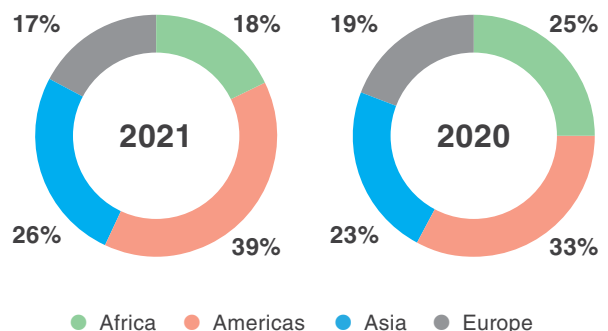
retail to online platforms in order to offer customers alternative means to purchase products during restrictions. Increasingly, new and existing customers put their trust in us to develop their brand presence, requiring our teams to work closely alongside them in order to develop offerings under tight production schedules. The sales milestones in this segment are a testament to the improvements that we have made as a world-leading manufacturer to ensure that our products are competitively priced and that we are able to offer our customers the widest range of product varieties and packaging possible.

Our Own Branded Manufacturing ("OBM") segment sales were affected with many healthcare channels and higher education facilities not able to operate during the year. Despite these setbacks, ONE® Condoms continued to expand its market presence by working with new agencies and utilising new avenues for sales. Direct-to-consumer sales that leveraged on our e-commerce presence grew at a significantly faster pace, outstripping traditional retail during the pandemic.

Geographical Regions

Similar to the market segmental breakdown, sales to each region reflected the severity of the COVID-19 situation in each region as many restrictions affected social activity and logistics networks. Many of the Asia region economies that had the pandemic under control during the early months experienced second and third waves that caused them to tighten restrictions and hence impacted sales to the region that had previously been growing at the fastest pace.

The Africa region that has traditionally relied on funding from the tender segment saw the biggest decrease in sales activity compared to previous years resulting in a 18% contribution towards total revenue for the year.



CEO's Management Discussion & Analysis



Many of the distribution networks in the region require the assistance of humanitarian aid to access and were hence unable to operate for prolonged periods during the year.

Sales to the Americas region contrastingly recovered at a tremendous pace as vaccine rollouts and easing of restrictions sparked a return of socialising and condom use. Whilst healthcare networks in this region were still slow to return to full operations, commercial sales picked up at rapid pace providing plenty of room for optimism for when the rest of the world follows suit.

OUTLOOK

As these results show, in spite of the lockdowns and the redeployment of health resources that the sexual health industry has experienced during the year, there is room for optimism based on our ability to generate sales growth during this period. Our resilience as an organisation will be further tested but I believe we are in a stronger position than ever to capture opportunities that will be presented once the effects of COVID-19 pandemic become more manageable around the world.

The dire situation faced by high-risk demographics around the world was brought into focus in a recent article published by the UNAIDS on 6 August 2021 where it was emphasised progress on sexual and reproductive health and rights is a long-term endeavour that cannot afford to pause, even in a pandemic. This encapsulates the urgency for refocusing on the sexual health industry to recommence and we envisage a surge in collective efforts will be required to make up for the deficit caused by the COVID-19 pandemic. This urgency in combination with the easing of restrictions that allow social interactions to recommence will help the industry to bounce back stronger than ever.

I also draw encouragement in the strong results that our key strategies were delivering before the crisis, and have no doubt that it is this strong foundation that has enabled us to emerge from this crisis in an advantaged position. Core competencies, innovation, branding as well as human capital will be equally as critical to develop a more agile, robust and sustainable organisation moving forward.

In the coming years, we anticipate that the growth in the sexual health industry will be driven by trends such as the emergence of a younger urban population, a greater awareness of hygiene and cleanliness as well as the easing of stigmas traditionally associated with products such as condoms and personal lubricants. I am confident that our organisation is adequately equipped with the necessary tools and is well positioned to take advantage of these opportunities and continue to deliver competitive and sustainable growth for all our stakeholders.

ACKNOWLEDGEMENTS

As I reflect on our achievements over this past year, I am aware that none of them would be possible without our teams, as well as the suppliers and customers that continue to stand by us. I am proud of the relationships that we have forged over the years and I truly believe that these challenging times will only serve to strengthen those bonds.

I would also like to extend my gratitude to our capable Board of Directors that has constantly provided us with the necessary guidance to navigate this unique period.

Finally, thank you to our shareholders for your patience and continued support. This year, more than ever, I am grateful for your faith in us.

MK Goh
Chief Executive Officer

Sustainability Statement

SCOPE AND BOUNDARIES

This Statement summarises our sustainability efforts for our stakeholders and other interested parties. We aim to provide a clear, comprehensive and transparent representation of our performance in managing the Economic, Environmental and Social (“EES”) aspects of our operations.

This statement covers our EES performance across all our entities and operations in Malaysia, Thailand, the United States of America (“USA”) and United Kingdom (“UK”). It includes discussions on the material topics identified through our materiality assessment to provide an accurate representation of our overall sustainability impact and performance. The report covers the period from 1 July 2020 to 30 June 2021 and has not been externally assured.

OUR APPROACH TO SUSTAINABILITY

Our approach to sustainability forms part of our commitment to be a responsible corporation for the customers and communities we serve. We have attempted to embed sustainability in our policies and in our four key strategies detailed on page 5 of this Report, encouraging it to influence our investments, operations, stakeholder engagement and risk mitigation efforts, amongst others.

In an effort to ensure that the standard of our sustainability reporting is sufficiently comprehensive and aligned with international best practices, we have referenced different reporting guidelines and frameworks.

The Global Reporting Initiative (“GRI”) is an international independent organisation that provides the world’s most widely used standards on sustainability reporting. This statement has been prepared with guidance from the GRI Standards as well as Bursa Malaysia’s Sustainability Reporting Guide – 2nd Edition.

Moreover, all our manufacturing facilities have during the year undertaken a comprehensive four pillar Sedex Members Ethical Trade Audit

(SMETA) audit. Sedex is an internationally recognised, independent, not for profit organisation that aims to improve ethical and responsible business practices in global supply chains. The four pillar audit covers labour standards, health and safety, management systems, business ethics and an environmental assessment. These audits are aimed at achieving greater visibility in our supply chain, improving our supplier relations and receiving an independent verification of our ethical compliance.



Sustainability Statement

As a testament to our continued efforts to improve our sustainability initiatives, Karex Berhad was accredited as having met globally recognised standards and admitted as a constituent of the FTSE4Good Index in June 2020.

Whilst appreciative of this accolade, we remain unwavering in our commitment to incorporating more responsible business practices to position our business for long-term growth that will be inclusive of all stakeholders.

SUSTAINABILITY GOVERNANCE

Our strategic governance framework ensures that we make responsible decisions that consider the EES landscape to achieve our long-term objectives not just for our business but for all the stakeholders in our value chain.

Sustainability matters amongst others, come under the purview of our Risk Management Working Committee, who reports directly to the Risk Management Committee and ultimately our Board of Directors (the “Board”). Decisions are collectively reviewed and evaluated based on the respective longstanding merits and how they fit into our Group’s vision towards cultivating a sustainable business model.

Risk Management Working Committee

- Responsible for identifying, monitoring and reviewing material sustainability matters under their purview
- Respective representatives take action and continue to review effects of efforts on a periodic basis
- Reports to Risk Management Committee on material matters identified and how they have been addressed

Risk Management Committee

- Reviews material sustainability matters and efforts with respective members from the Risk Management Working Committee
- Reports to the Board of Directors based on outcome of discussions

Board of Directors

- Holistically reviews Group’s sustainability efforts and approves of Sustainability Statement for inclusion in Annual Report



Sustainability Statement

STAKEHOLDER ENGAGEMENT/PRIORITISATION

We recognise that the success of business relies on developing strong and meaningful relationships with our stakeholders. We continue to utilise various channels to foster conversations with our shareholders in order to obtain feedback, develop ideas and provide solutions that ultimately provide more satisfaction for our customers. We have in doing so, utilised an array of platforms and different media in order to effectively align our business strategies with our sustainability goals.

OUR STAKEHOLDERS	METHODS OF ENGAGEMENT	
<p>CUSTOMERS Brand owners, governments, non-governmental organisations and retail purchasers around the world</p>	<ul style="list-style-type: none"> • Campaigns • Customer service • Email and video conferencing 	<ul style="list-style-type: none"> • Customer surveys • Social networks • Online forums
<p>INVESTORS AND MEDIA Institutional and retail investors, analysts, fund managers and potential investors</p>	<ul style="list-style-type: none"> • Annual general meetings • Quarterly results briefings • Conferences and roadshows • Site visits • Interviews 	<ul style="list-style-type: none"> • One-to-one meetings and conference calls • Corporate website • Press releases
<p>EMPLOYEES Our employees based in Malaysia, Thailand, USA and UK</p>	<ul style="list-style-type: none"> • Online newsletters and emails • Employee surveys • Virtual meetings and conference calls • Email 	<ul style="list-style-type: none"> • Team building events • Annual performance appraisals • Townhalls
<p>GOVERNMENT AGENCIES Regulators, health authorities and international medical device standard agencies</p>	<ul style="list-style-type: none"> • Social and compliance audits • Industry and regulatory conferences • Meetings and briefings 	<ul style="list-style-type: none"> • Trade conventions • Charity events • Local council meetings
<p>VENDORS AND SUPPLIERS Contractors that provide services and products pertaining to the entire manufacturing process chain</p>	<ul style="list-style-type: none"> • Transactional dealings • Training conferences and workshops • Outreach programmes • Video conferencing 	<ul style="list-style-type: none"> • Company sponsored events • Supplier surveys • Email
<p>COMMUNITY Local communities where we operate and conduct our businesses</p>	<ul style="list-style-type: none"> • Charity functions • Sporting events • Dialogue and knowledge exchange events 	<ul style="list-style-type: none"> • Corporate Social Responsibility programmes

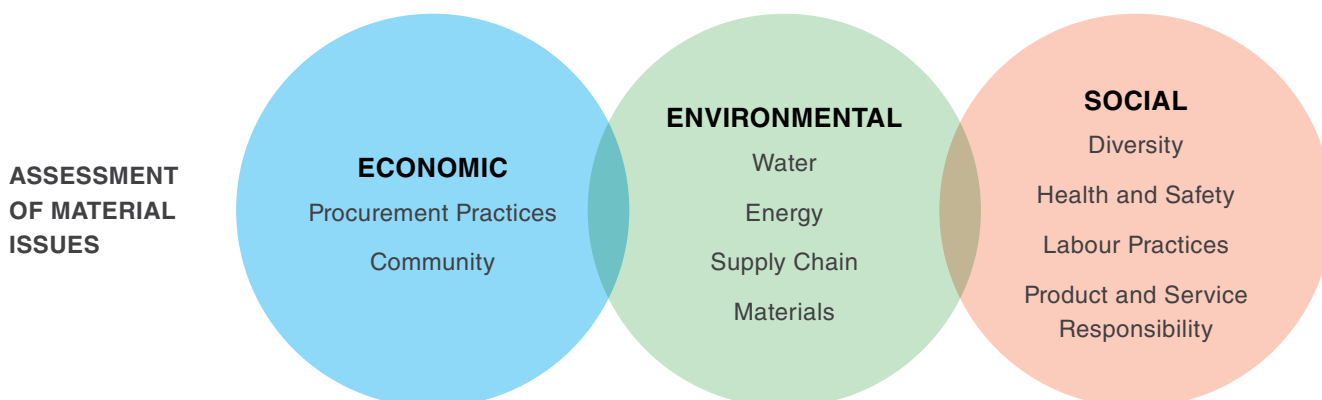
Sustainability Statement

IDENTIFICATION OF MATERIAL ISSUES

To identify matters that are most significant to our stakeholders and business, we conducted a comprehensive materiality assessment in the financial year ended 30 June 2018. We utilised a step-by-step approach to identify a list of the matters that were considered material to our stakeholders. We aim to provide an update on the efforts that have been made during the financial year ended 30 June 2021 (“FY2021”) towards any targets that have been specified in previous years so that stakeholders are able to stay up-to-date on developments on material issues.

STEPS

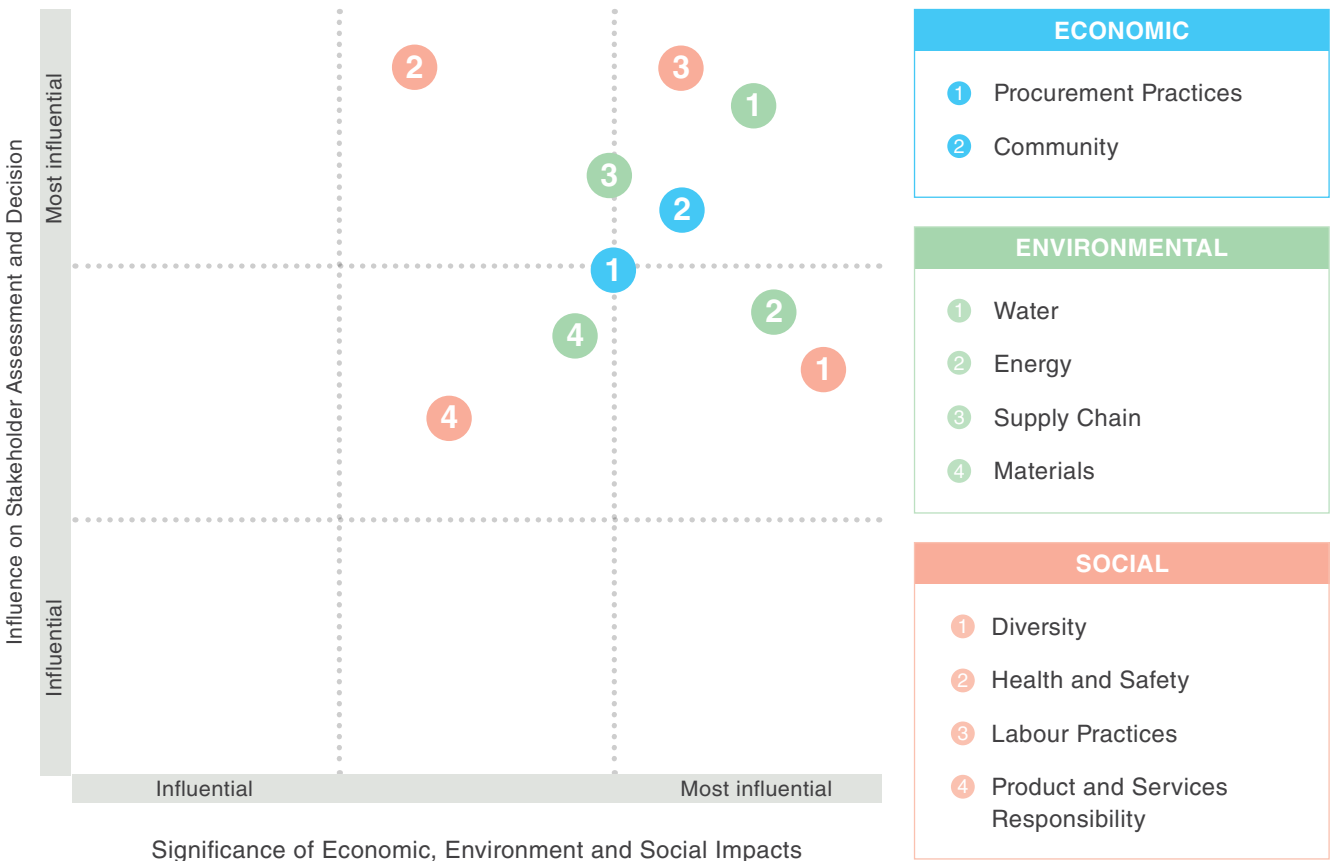
<p>Step 1 IDENTIFICATION</p>	<p>Before engaging with stakeholders to conduct an assessment, a list of material factors relating to economic, environmental and social factors relevant to our business were identified. In an effort to focus on the most material issues, the following factors were taken into consideration:</p> <ul style="list-style-type: none"> • Changing global and regional macroeconomic trends • The expected developments of the sexual wellness, medical and rubber products industries • International standards and regulatory changes • Stakeholder expectations and requirements • Our strategies and internal policies
<p>Step 2 PRIORITISATION AND ENGAGEMENT</p>	<p>A customised online survey was conducted to engage stakeholders and determine the material sustainability issues that most concerned each stakeholder. Issues identified were then narrowed down into key broad categories and ranked in terms of how critical each stakeholder considered each of them.</p>
<p>Step 3 REVIEW AND REFINE</p>	<p>The list of prioritised material matters was then verified through interviews and discussions with operations leaders in each respective field as well as members of the Management Team and the Risk Management Working Committee. Furthermore, we have subsequently assessed our business strategies to ensure they have taken proper consideration of the material issues identified.</p> <p>The final materiality matrix was presented and endorsed by our Risk Management Working Committee.</p>



Sustainability Statement

MATERIALITY MATRIX

In line with Bursa Malaysia’s Sustainability Reporting Guide, we conducted a materiality assessment through data analysis and stakeholder engagement. We gathered insight on material matters in which we have an economic, environmental and/ or social impact, and prioritised 5 out of 10 of the issues identified.



Sustainability Statement

MAPPING INITIATIVES AGAINST TOP MATERIAL ISSUES

ECONOMIC

We aim to ensure that business decisions are made in a manner that will not compromise our values or mission as an organisation even if short-term benefits may be compelling. We have established a formal set of principles and practices that our Board and Management Team strictly adhere to in order to ensure that the interests of all stakeholders are taken into account of at all times.

COMMUNITY

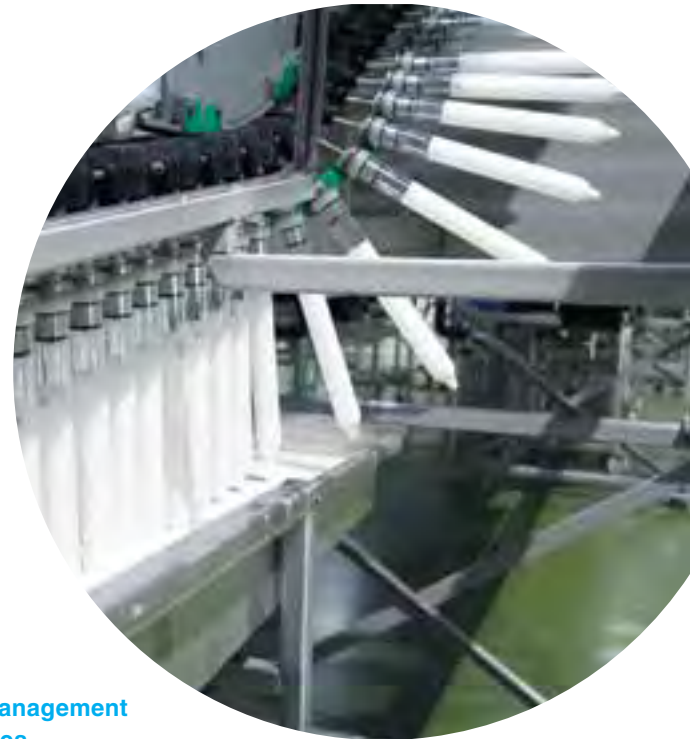
Governance Practices

A formal corporate governance structure has been established and communicated to all stakeholders in order to ensure that our business processes are run consistently, decisions are made without bias and any errors can be detected early so that they can be resolved. These policies are frequently reviewed and revised in order to ensure that they remain relevant and effective.

All employees in our Group are guided by the principles in the Code of Conduct. This ensures that practices concerning ethics and integrity are communicated to all employees during the induction process. Frequent refresher courses are conducted by our human capital teams in order to ensure that employees are made aware of their responsibilities and where they can reference them at all times.

We maintain a strict no-tolerance position regarding bribery and corruption. In order to encourage employees to report incidences of corruption along with any other breaches of the Code of Conduct, we have established an anonymous whistleblowing channel that is made known to all employees. This channel is handled by an independent party to ensure that all concerns are treated with discretion, seriousness and handled sensitively. We have during the past three years recorded no incidences of bribery or corruption via this channel.

Additional corporate governance policies are detailed in the Corporate Governance Overview Statement located on pages of 40 to 48 this Report as well more comprehensively in our Corporate Governance Report that can be accessed at <http://www.karex.com.my/>. These documents clearly outline the responsibilities of our Board, the composition details of our Board, whistleblowing policy and corporate reporting details amongst others.



Risk Management Practices

A proper risk management framework is essential to enable our business to pre-emptively identify possible risks, problems or disasters before they happen, as well as to set up procedures aimed at avoiding or minimising the impact should they occur. These procedures are integral in allowing our organisation to define our objectives for the future and identify the external and internal risks that may hinder accomplishment of those objectives.

Our risk management team is made up of members from our Board and Senior Management Team who are then responsible for developing strategies to handle risks in order to enable more informed decision making moving forward. We are also audited by an independent internal auditor, Moore Stephen Associates PLT to periodically evaluate our internal compliance and control systems. This ensures that strategic decisions are undertaken with careful deliberation so that the interests of all stakeholders are always being prioritised.

We have also established a formal Supplier Code of Conduct to ensure that suppliers, contractors and other businesses that we collaborate with are made aware of their own social, ethical and environmental responsibilities. These policies cover sourcing of materials, labour practices, quality standards and safety protocols amongst others and are aimed at mutually helping all parties to ensure that risks are properly identified and mitigated.

Our risk management practices are detailed in the Statement of Risk Management and Internal Control located on pages of 54 to 57 this Report. These documents clearly outline the roles of the Risk Management Committee as well as the key risk focuses and mitigation plans that are in place to develop stronger internal controls.

Sustainability Statement

ENVIRONMENTAL

We aim to drive positive change through the entirety of our manufacturing processes as well as our marketing efforts. By improving our energy efficiency, waste management and emissions levels, we aim to become more efficient manufacturers. Supporting sustainable products and prudent resource management will not only help to conserve our environment but also facilitate greater efficiencies at our facilities.

Our commitment to environmental sustainability is further underlined by our membership in the Fair Rubber Association. This provides our customers assurance that rubber products manufactured by our Group have utilised latex that is sustainably sourced and contributes towards improving the living conditions of the primary producers themselves.



WATER

Water is one of the key components of our manufacturing processes that once consumed will often result in discharge that requires treatment before it can be released back into the environment or in certain cases recycled and reused. Recycling water is key to enabling us to reduce costs and conserve a natural resource but equally as important is ensuring that the waste generated is handled with care so as not to damage the ecosystems around our facilities.

During the year, we conducted a thorough evaluation of the water piping system at our condom manufacturing facilities. The improvements from the findings included a restructuring of the piping systems to remove unnecessary water points, the installation of flow meters to provide a real time measurement for primary production process usage rates as well as the installation of control valves in the leeching and former rinsing stations specifically. These initiatives not only contributed to a reduction in terms of water usage per condom produced but also equipped us with the analytic data to make better informed decisions should abnormal water usage be detected at any point during the manufacturing process.

All of our manufacturing facilities are equipped with the requisite equipment to measure and record parameters of discharge including pH, suspended solids and dissolved minerals. The effluent that is collected must be treated and tested to confirm compliance with regulatory limits before it is able to be discharged. These samples are also periodically sent to external laboratories to ensure that

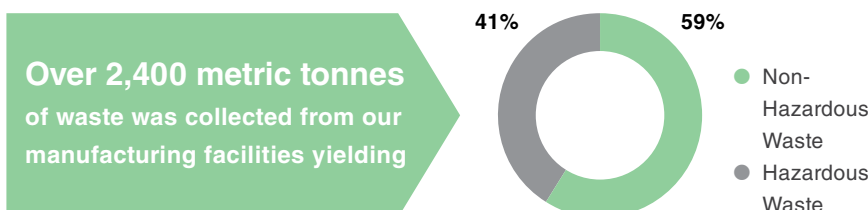
waste water is safe to be released back into the natural environment.

It is critical that the hazardous waste identified is stored in designated storage areas at our facilities. These storage areas are supervised by specialist teams that ensure that the waste is stored, periodically inventoried in our system and eventually collected by licensed contractors for treatment and disposal.

Non-hazardous waste comprising of recyclable plastics, metals and paper are either recycled or disposed of accordingly across all subsidiaries. Initiatives that we have implemented to reduce non-hazardous waste include a Document Management System to reduce the usage of paper across our Group as well as repurposing silicon oil tanks for material and product storage.

Building on last year's recycling efforts, during FY2021, we also recycled a total of 342 metric tonnes of scrapped rubber into high grade rubber sheets for use in other industries.

Percentage of Hazardous Waste & Non Hazardous Waste Generated by all Manufacturing Plants in FY2021



Sustainability Statement

ENERGY

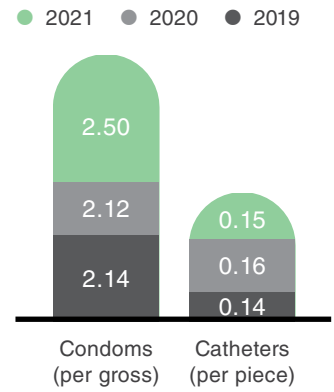
A culture of responsible energy use has been cultivated throughout the organisation with staff often reminded to take proactive steps to reduce energy consumption where possible. These efforts also include initiatives throughout our corporate spaces to encourage staff to switch off lights and equipment when not in use, switching bulbs to energy efficient LEDs as well as the installation of movement sensors and solar panels where possible.

With many customers shifting order preferences to fully packaged products rather than bulk pack (minimal packaging requirements) over the last few years, our manufacturing has become more dependent on automation. As such, we have noticed an increase in electricity consumption specifically as it pertains to condoms in recent months. Notwithstanding that, our operations teams continue to analyse electricity data in order to evaluate points within the manufacturing processes that can be further optimised in order to derive energy savings in the future.

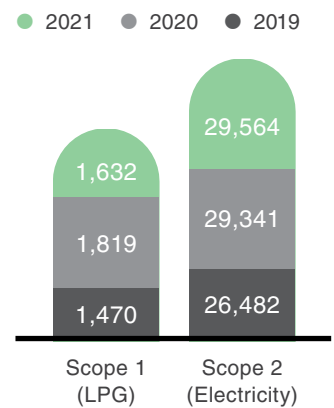
We have successfully maintained the ISO 14001:2015 Environmental Management System certification across all of our manufacturing facilities, ensuring that each facility has in place an effective environmental management system. As a result of the recent initiatives, our Thailand facility has been accredited the ISO 50001 Energy Management System certification and is in the process of being certified LEED (Leadership in Energy & Environmental Design) by the USA Green Building Council.

We have extended our monitoring of our energy efficiencies from the previous year's measurement of liquid petroleum gas ("LPG") usage to begin to tabulate our green house gas emissions during FY2021. Our initial reporting scope covers equivalent emissions for Scope 1 (LPG) and Scope 2 (Electricity) emissions. This has been implemented with the intention of evaluating how we may derive further efficiencies from minimising our usage of energy by eventually setting energy targets at our facilities over the next few years.

Electricity Consumption Intensity (kWh)



CO₂ Equivalent Emissions From Manufacturing Processes (MT)



Sustainability Statement

SOCIAL

Our social sustainability ethos is centered around operating in a manner that is respectful of human rights, considerate of ethical supply chain management and adheres to health and safety. It is critical that we constantly work with our employees, local communities and customers to build meaningful relationships that last.

Following the social compliance reviews conducted over the past few years, we have adopted the base codes set by the Ethical Trading Initiative as a commitment to ensuring that our working conditions are held to the internationally recognised standards of the International Labour Organisation conventions.



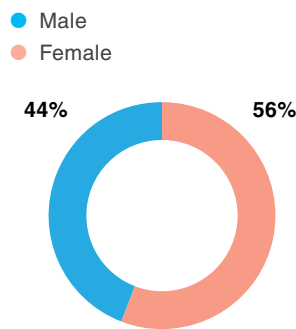
DIVERSITY

Workplace

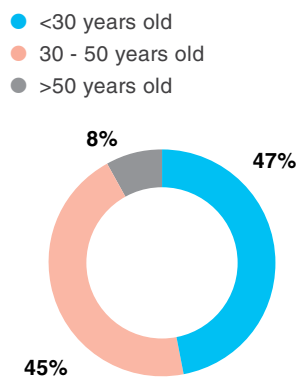
Our ability to adapt the working conditions for our teams in response to COVID-19 measures during the year was aided by our commitment to embrace diversity over the years. An inclusive mindset in which our employees are encouraged to embrace different perspective in order to create mutual respect equipped us with the ability to find footing in very uncertain circumstances. The camaraderie and teamwork exhibited are a testament to the values that we champion and hold true to our Diversity and Inclusion policy that can be accessed on our website.

In addition to the culture of innovation that this has been fostered within the organisation, diversity also allows us to promote a very meritocratic community for our staff. We have always championed equal opportunities for all staff regardless of their age, ethnicity, race, gender, sexual orientation or beliefs. We continued to expand and implement initiatives aimed at dissipating stereotypes across our facilities. These include disabled toilets, removal of gender, religious and sexual preference data

Employees Breakdown by Gender



Employee Breakdown by Age Group



from recruitment criteria and the provision of free transportation and accommodation for those employees living far away from our facilities that do not have access to public transport.

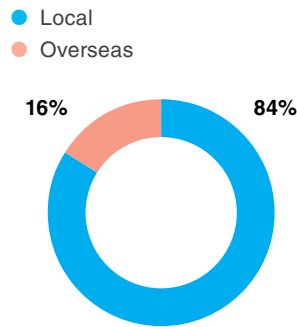
Beyond the cultivation of a conducive working environment, we also frequently evaluate conduct training requirements in order to ensure that our teams are constantly kept up to speed with the latest developments in their respective fields. We utilised electronic platforms to deliver increased technical training during the year covering topics that included medical device regulations, quality assurance, health and safety, risk assessment, supply chain management and waste management.

During the year, the Industrial Estate Authority of Thailand recognised the efforts of our Thailand facilities and awarded them the prestigious Good Labour Practice award for their efforts in ensuring that our workplaces were free from gender discrimination, forced labour, child labour and opportunities for bribery. The independent assessment also evaluated the benefit system, worker welfare and operational health and safety at our facility.

Sustainability Statement

We have also continued to expand and develop initiatives aimed at recognising the efforts and contributions of staff who have gone beyond their job scope to deliver extraordinary performances. These rewards include periodic spot awards, performance-based incentives, long service awards and leadership development programs aimed at nurturing the next generation of management from within our Group. Staff are always encouraged to provide their feedback and suggestions via suggestion boxes that are located around our facilities so that we are able to continue to consider new methods with which to improve our working environments.

Supply Chain by Local and Overseas



Local Communities

We have continued to make a concerted effort to work with suppliers and vendors from our local communities. The deepening of these long-term relationships has not only enabled us to explore new business ideas but also allowed us to properly communicate our end customers' expectations as it pertains to supply chain issues. These include developing accountability for topics such as human rights and labour practices in order to ensure that proper risk management safeguards were implemented. It is our intention to deepen the local knowledge base in order to ensure that the communities in the vicinity of our businesses will also benefit from our success moving forward.

We are mindful to also continue to engage with the youth in our communities through various involvements. Over the last 3 years, we have collaborated with the Malaysian Rubber Council and local universities and hosted over 50 graduates as interns in our facilities across our Malaysia and Thailand to provide them with real-world working experiences within the rubber industry. Many of these graduates have gone on to join as full-time employees following the completion of their internships.

Employees attended a total of **28,513** training hours in FY2021 with each employee averaging approximately 8.95 hours of training over the course of the year



Sustainability Statement

Corporate Social Responsibility Programs

We also continued to support causes close to our hearts in the local community in continuing our donation of both funds as well as products to the local schools around our facilities, Malaysian AIDS Foundation, Brunei Darussalam AIDS Council, PT Foundation and Pertubuhan Kesihatan Dan Kebajikan Umum Malaysia ("PKKUM") to name a few during the year. This included the provision of funding for PKKUM to continue to operate its facility providing non-discriminatory support and a daytime shelter for the homeless through the COVID-19 pandemic.

Our longstanding partnership with the Malaysian AIDS Foundation deepened further with product donation drives involving key youth leaders and brands from around Malaysia with the intention of making sexual health awareness an approachable topic for the youth. The animated Kakak Kondom campaign also continued to build on its success by developing its engagement over various social media platforms in order to provide more educational content to students around Malaysia.

Although government restrictions limited our ability to attend seminars on campuses and host visitors at our facilities in person, we continued to champion the cause for improving sexual health education in our communities. We provided contraceptive courses, most notably at the Hospital Pengajar Universiti Putra Malaysia (HPUPM) and via various online seminars in order to destigmatise condom usage and ensure that more people are afforded access to proper sexual health information in order to make more informed decisions.

We also moved many of our long-running campaigns to virtual platforms during the year including Art Against AIDS (fondly known as AAA). Our flagship annual charity event was once again hosted at Segaris Art Gallery in Publika, Kuala Lumpur but was expanded to include an online audience during the year. This platform has raised over RM1 million to date and provided a platform to allow corporations and non-governmental organisations to interact with students and the art community in an effort to promote sexual health.



In the USA, ONE® Condoms continued to help student groups and non-profits facilitate conversations about sexual health. In response to many campaigns moving online, ONE® @ Home was launched as a program to continue supplying condoms directly to individuals. ONE® @ Home allows health organisation clients to order online and deliver products directly to the homes of customers. This was conducted in conjunction with other partnerships with some of our largest public sector customers, such as the states of Iowa, Oregon, Idaho, and Virginia, as well as New York City. Since the start of the pandemic, we have shipped nearly 30,000 envelopes filled with condoms and lubricants to customers in need.

Sustainability Statement

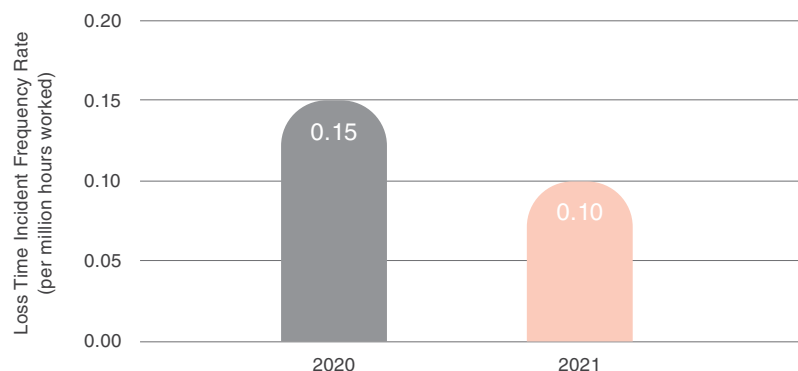
HEALTH AND SAFETY

The worsening of the COVID-19 situation in Malaysia and Thailand during the year put the health and safety of our staff at risk especially when community transmission of the virus started to escalate. Rather than taking a reactive approach to the operating procedures proposed by the respective governments, we took proactive steps to ensure that our staff had access to the appropriate personal protective equipment and workplaces were regularly sanitised. When made available, we conducted elective periodic COVID-19 testing as well as procured vaccinations at the expense of our Group for all of our workers who opted to do so.

Throughout this period, we went to great lengths to ensure that our staff were always able to come to work or work remotely in safe environments. At various times of the year, this entailed the provision of transportation, meals, as well as equipment to enable our staff to be comfortable that their health and safety as well as that of their families were given full priority. Despite shutdowns and limited operating capacity imposed by the government, we also continued to pay full wages to our staff and we did not make any COVID-19 related retrenchments.

In respect to operational matters, our Occupational Safety and Health Policy covers a range of procedures including emergency response, first-aid, evacuation, fire-fighting and crime prevention. As a result, all our manufacturing plants in Malaysia comply to the Occupational Safety and Health Act 1994 (Act 514) and adhere to the Industry Code of Practices. These regulations require a Health, Safety, Environmental and Ethics committee to be established consisting of both employer and employee representatives, safety inspections to be carried out at fixed intervals and hazards to be identified and reviewed around the workplace. This encourages communication so that we may review our processes and more effectively conduct investigations into the cause of any accidents that may occur.

Loss Time Incident Frequency Rate – per million hours worked
(At Condom Manufacturing Plants)



In the event of any emergencies, we have been mindful to ensure that our staff are afforded immediate access to medical attention and are adequately covered by health insurance. Health and safety notices are on all site notice boards in a multitude of languages so that employees are always made aware as to emergency protocols.

This Sustainability Statement is made in accordance with the resolution of the Board dated 11 October 2021.

Profile of Board of Directors

TUN DATO' SERI ARSHAD AYUB

Chairman
Independent Non-Executive Director

Malaysian

Male

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

Tun Dato' Seri Arshad Ayub 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.

Tun Dato' Seri Arshad Ayub is Pro Chancellor of Universiti Teknologi MARA, Chancellor of INTI International University and was formerly Chairman of the board of directors of University Malaya and Chancellor of KPJ Healthcare University College.

He is a Governor of Tuanku Jaafar College, Chairman of PINTAR Foundation, Trustee of Amanah Raya Berhad Foundation, Chairman of Lembaga Pemegang Amanah Kolej Islam Malaya Berdaftar, Director of Lion Education Foundation, Patron of Arshad Ayub Foundation, Advisor of Yayasan Budiman and a member of Tun Razak Foundation, Pak Rashid Foundation, Lung Foundation of Malaysia and Advisor of Malaysian Malay Businessman And Industrialists Association.

Presently, Tun Dato' Seri Arshad Ayub sits on the board of directors of Malayan Flour Mills Berhad. He is also a member of the board of PFM Capital Sdn. Bhd., Ladang MOCCIS Sdn. Bhd., and Zalaraz Sdn. Bhd. (a family-owned company).

He has attended all the Board Meetings held during the financial year ended 30 June 2021. 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 2021.

The particulars of his shareholdings are set out on page 146 of this Annual Report

Profile of Board of Directors

DATO' DR. ONG ENG LONG @ ONG SIEW CHUAN

Senior Independent Non-Executive Director

Malaysian

Male

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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, Remuneration 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. He has been involved with standards development for the past two decades. Dato' Dr. Ong was the Chairman of ISO/TC 157 Non-Systemic Contraceptives and STI Barrier Prophylactics from 2007 till Dec 2017 and the Chairman of

ISO/TC 45 SC4 Rubber Products Other Than Hoses from 2005 till Dec 2017. 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. Dato' Dr. Ong has more than 150 publications in areas of rubber science and latex dipped products.

Dato' Dr. Ong Eng Long is the Immediate Past President of the Malaysian Rubber Product Manufacturers' Association. He was the President of the Institute of Chemistry, Malaysia from March 2014 till March 2018.

He has attended all Board Meetings held during the financial year ended 30 June 2021. 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 2021.

He does not hold any directorship in other public companies and listed issuers.

The particulars of his shareholdings are set out on page 146 of this Annual Report

Profile of Board of Directors

PROFESSOR DATO' DR. ADEEBA BINTI KAMARULZAMAN

Independent Non-Executive Director

Malaysian

Female

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Professor Dato' Dr. Adeeba binti Kamarulzaman was appointed to the Board on 16 January 2019 as our Independent Non-Executive Director. She is a member of the Audit Committee and Risk Management Committee.

She graduated from Monash University in 1987 and trained in internal medicine and infectious diseases at the Monash Medical Centre and Fairfield Infectious Diseases Hospital, Melbourne, Australia. She is presently Professor of Medicine and Infectious Diseases at the Faculty of Medicine, Universiti Malaya and was the Dean of Medicine from 2011 to 2019. She is an Adjunct Associate Professor at Yale University, USA. She established the Centre of Excellence for Research on AIDS (CERiA) that conducts multi-disciplinary research on HIV ranging from clinical studies to public health and policy research and is the Chairperson of the Malaysian AIDS Foundation and President of the International AIDS Society.

She holds numerous other positions in international bodies including as member of the WHO Science Council and Advisory Group of UNAIDS. She has played a critical role in the national response to the COVID-19 pandemic through her involvement as Chair of the UMMC COVID-19 Taskforce and as Advisor to various state governments. She was recently appointed as a member of the Malaysian National Recovery Council.

Her achievements have been recognised through several national and international awards including the Tun Mahathir Science and Merdeka Awards for her role as a member of the University of Malaya's Nipah Investigative Team. She is also the first recipient of the Advance Australia Global Award in the category of Alumni in 2012, and, in April 2015 she was honoured with a Doctor of Laws (honoris causa) from her alma mater, Monash University. She has the distinct honour of having her achievements featured in both The Lancet and Science publications in 2013 and 2014 respectively.

She has attended all Board Meetings held during the financial year ended 30 June 2021. She 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. She 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 2021.

She does not hold any directorship in other public companies and listed issuers.

The particulars of her shareholdings are set out on page 146 of this Annual Report

Profile of Board of Directors

DATO' EDWARD SIEW MUN WAI

Independent Non-Executive Director

Malaysian

Male

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Dato' Edward Siew Mun Wai was appointed to the Board on 27 November 2020 as our Independent Non-Executive Director. He is a member of the Audit Committee.

He is a Fellow Member of the Institute of Chartered Accountants in England & Wales (ICAEW), Business Finance Professional and a Chartered Accountant of the Malaysian Institute of Accountants.

After completing his ICAEW with over 8 years public practice in London, he returned to Malaysia and worked briefly for a local bank until recruited to join HSBC in its Hong Kong headquarters. This was followed by over 26 years of international expatriation in C-suite roles at the L'Oreal Group and the Ciba-Geigy (now Novartis) Group, managing their subsidiaries in Melbourne, Seoul, Paris, Bangkok, Singapore, Jakarta, Taipei and Hong Kong. He was on the Boards of these subsidiaries representing the public listed parent company's interests.

Most recently, he was the Acting Global CEO/Global CFO of Crabtree & Evelyn London. From 2011 till 2014, he was an Independent Director and Audit Committee Chairman of an ASX-listed junior mining company. He was Vice-Chairman of the Taipei English School and Board

member of the Taipei European Schools, Associate Faculty Member of the Othman Yeop Abdullah Graduate School of Business at Universiti Utara Malaysia, current member of the Sunway University Business School Industry Advisory Board and a frequent pro-bono guest speaker at various local Universities and the Malaysian Institute of Corporate Governance.

Presently, Dato' Edward Siew Mun Wai also sits on the board of directors of the Malton Berhad as an Independent Non-Executive Director and a member of its Audit Committee. He is also a director of various private companies.

He has attended all the Board Meetings held since his appointment on 27 November 2020. 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 2021.

The particulars of his shareholdings are set out on page 146 of this Annual Report

Profile of Board of Directors

WONG YIEN KIM

Independent Non-Executive Director

Malaysian

Male

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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.

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 2021. 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 2021.

He does not hold any directorship in other public companies and listed issuers.

The particulars of his shareholdings are set out on page 146 of this Annual Report

Profile of Board of Directors

LAM JUAN JUAN

Non-Independent Non-Executive Director

Australian

Female

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

Lam Juan Juan started out in 1976, where she joined the Commercial Banking Company of Sydney, as a management trainee, where she gained a wide spectrum of retail banking experience before moving on to join Tricontinental Australia Limited in 1978. In 1979, she moved to Hong Kong and joined Toronto Dominion Bank in its Asia and Australasia Division, 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 since been with 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, 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 2021. Goh Yen Yen and Goh Leng Kian are her siblings and Goh Miah Kiat is her nephew. She is the spouse of Lam Yiu Pang, Albert, a major shareholder of the Company. 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 2021.

She does not hold any directorship in other public companies and listed issuers.

The particulars of her shareholdings are set out on page 146 of this Annual Report

Profile of Board of Directors

GOH YEN YEN

Non-Independent Non-Executive Director

Malaysian

Female

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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. On 31 August 2018, she was re-designated from Executive Director to Non-Independent Non-Executive Director. She graduated with a Bachelor's 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 2021. Goh Leng Kian and Lam Jiu-an are her siblings and Goh Miah Kiat is her nephew. 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 2021.

She does not hold any directorship in other public companies and listed issuers.

The particulars of her shareholdings are set out on page 146 of this Annual Report

Profile of Board of Directors

GOH LENG KIAN

Executive Director, Technical and R&D

Malaysian

Male

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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 was 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, electronic testing 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 2021. Goh Yen Yen and Lam Jiuan Jiu are his siblings and Goh Miah Kiat is his nephew. 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 2021.

He does not hold any directorship in other public companies and listed issuers.

The particulars of his shareholdings are set out on page 146 of this Annual Report

Profile of Board of Directors

GOH MIAH KIAT

Executive Director
Chief Executive Officer

Malaysian

Male

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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. He was appointed to the Board on 25 February 2020 as our Executive Director.

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:

- Global condom standard ISO4074
- MS ISO 16037:2010 in association with SIRIM, Malaysia
- ISCR/TC 8 - Non Systematic Contraceptives and STI Barrier Prophylactics

Goh Miah Kiat graduated with a Bachelor's Degree in Economics and Management from the University of Sydney in 1999. He was named winner of the Master and Overall categories of the Ernst & Young Entrepreneur of the Year 2016 Malaysia award.

He has attended all the Board meetings held during the financial year ended 30 June 2021. He is the nephew of Goh Yen Yen, Goh Leng Kian and Lam Juan Juan, 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 2021.

He does not hold any directorship in other public companies and listed issuers.

The particulars of his shareholdings are set out on page 146 of this Annual Report

Profile of Key Senior Management

GOH CHOK SIANG

Chief Financial Officer

Malaysian

Male

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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 2021.

He does not hold any directorship in other public companies and listed issuers.

Profile of Key Senior Management

LEONG WENG HONG

Chief Human Resources Officer

Malaysian

Male

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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 returned to Malaysia under Talentcorp's, Returning Expert Programme.

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 2021.

He does not hold any directorship in other public companies and listed issuers.

Profile of Key Senior Management

WONG YOUR CAN

Chief Strategy Officer

Malaysian

Male

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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, 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 2021.

He does not hold any directorship in other public companies and listed issuers.

Corporate Governance Overview Statement

This Corporate Governance Overview Statement is presented pursuant to Paragraph 15.25(1) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).



The objective of this Statement is to provide an overview of the application of the corporate governance practices of the Group during the financial year ended 30 June 2021 with reference to the three (3) main principles, i.e. Board Leadership and Effectiveness, Effective Audit and Risk Management and Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders as set out in the Malaysian Code on Corporate Governance 2017 (“MCCG”).

The Board has also provided more disclosures on the application of each Practice in its Corporate Governance Report (“CG Report”). The CG Report was announced together with the Annual Report of the Company on

29 October 2021. Shareholders may obtain the CG Report by accessing this link <http://www.karex.com.my/> for further details and are advised to read this overview statement together with the CG Report.

At the start of the financial year 2021, Karex was not a “Large Company” as defined in the MCCG. Overall, the Board is of the view that the Company has, in all material aspects, complied with the Principles and Practices as set out in the MCCG except for Practice 7.2 on the disclosure of the top five senior management’s remuneration on a named basis. The explanation for the departure of the abovementioned practice is reported in the announced CG Report.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

(I) BOARD RESPONSIBILITIES

It is the overall governance responsibilities of the Board to lead and control the Group. The Board, while overseeing the strategic direction and conduct of the business, leads the Group within a framework of effective controls and has embraced the responsibilities listed in the MCCG to effectively discharge the Board’s stewardship and fiduciary responsibilities.

The Board has defined and formalised its Board Charter and it is published on the Company’s website. The Board

Charter serves as a reference for the Directors’ fiduciary duties and the functions of the Board Committees. The Board reviews the Board Charter periodically to ensure that it remains relevant and consistent with the Board’s objective, regulations and best practices. The Board is also guided by key matters reserved for the Board for its deliberation and decision to ensure that the direction and control of the Group’s businesses vested in its hands are managed and attended to effectively.

Corporate Governance Overview Statement

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS**(I) BOARD RESPONSIBILITIES**

Certain Board's authorities and discretion are delegated and conferred on the Executive Director and the Chief Executive Officer ("CEO") as well as on properly constituted Committees comprising Non-Executive Directors which operate within clearly defined Terms of Reference ("TOR").

There is a clear division of responsibilities between the Chairman and CEO to ensure an optimum and effective segregation of duties and authority. These key individuals play a vital role in bringing the Group to greater heights of success whilst ensuring strong foundation blocks of corporate governance, transparency and integrity form part of its fundamentals.

The Board is currently led by Tun Dato' Seri Arshad Ayub, an Independent Non-Executive Chairman who provides strong leadership, instils and monitors good corporate governance practices, leadership and effectiveness of the Board.

The CEO, Mr Goh Miah Kiat is responsible for the overall day-to-day running of the Group's operating units and implementation of the Group's policies and strategic plans established by the Board within a set of authorities delegated by the Board. The detailed roles and responsibilities of the Chairman and the CEO can be found in the Board Charter on the Company's website at <http://www.karex.com.my/>.

The Executive Directors and CEO are responsible for making and implementing operational and corporate decisions while the Non-Executive Directors balance the Board's accountability by providing their independent views, advice and judgment to safeguard the interests of the shareholders.

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 and other independent professionals, at the expense of the Group in the discharge of their duties.

The Board has identified Dato' Dr. Ong Eng Long @ Ong Siew Chuan as the Senior Independent Non-Executive Director, an alternative person for shareholders to approach in order to convey their concerns and seek clarification from the Board.

Whistleblowing Policy

The Company has established a Whistleblowing Policy to provide clear lines of communication and reporting of concerns for employees at all levels. The channel for communication for whistleblowing can be made to the Board Chairman, Audit Committee Chairman or Senior Independent Non-Executive Director via email to karex@whistleblowing.com.my or post to the following mail box which is handled independently by the Group's Internal Auditor:

Moore Stephens Associates PLT
Suite 133, MBE Tropicana Gardens Mall
LG-21, Tropicana Gardens Mall
Jalan 2A, Tropicana Indah
47410 Petaling Jaya
Selangor Darul Ehsan, Malaysia.

The Whistleblowing Policy is published on the Company's website.

Anti-Bribery Policy

The Company has established an Anti-Bribery and Corruption Policy to have a clear and unambiguous policy statement on the Company's position regarding bribery and corruption i.e. a zero-tolerance approach against all forms of bribery and corruption, it sets out the guidelines which ensure business activities are conducted with integrity and avoiding practices of bribery and corruption in daily operations. The policy is disseminated to all employees together with an awareness training session and it is made available and accessible on the Company's website at <http://www.karex.com.my/>.

Company Secretary

The Board is assisted by three (3) qualified and competent Company Secretaries. All Company Secretaries are members of Malaysian Institute of Chartered Secretaries and Administrators. The Company Secretaries advise the Board, particularly with regards to compliance with regulatory requirements, guidelines, legislations and the principles of best corporate governance practices.

Corporate Governance Overview Statement

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

(I) BOARD RESPONSIBILITIES

Further information of the roles and responsibilities carried out by the Company Secretaries are set out in Practice 1.4 of the Company's CG Report.

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 once every quarter and on other occasions, as and when necessary, to inter-alia approve quarterly financial results, statutory financial statements, 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.

The Board papers are circulated to the Board members prior to the Board meetings so as to provide the Directors with relevant and timely information in order to enable them to conduct proper deliberation on board issues and to discharge their responsibilities with reasonable due care, skills and diligence.

During the financial year, five (5) Board meetings were held. The record of attendance of the Board members is as follows:

DIRECTOR	MEETINGS ATTENDANCE
Tun Dato' Seri Arshad Ayub Chairman/Independent Non-Executive Director	5/5
Dato' Dr. Ong Eng Long @ Ong Siew Chuan Senior Independent Non-Executive Director	5/5
Professor Dato' Dr. Adeeba binti Kamarulzaman Independent Non-Executive Director	5/5
Dato' Edward Siew Mun Wai Independent Non-Executive Director (<i>appointed on 27 November 2020</i>)	2/2
Wong Yien Kim Independent Non-Executive Director	5/5
Lam Juan Juan Non-Independent Non-Executive Director	5/5
Goh Yen Yen Non-Independent Non-Executive Director	5/5
Goh Leng Kian Executive Director	5/5
Goh Miah Kiat Executive Director/Chief Executive Officer	5/5
Law Ngee Song Independent Non-Executive Director (<i>resigned on 27 November 2020</i>)	3/3

Corporate Governance Overview Statement

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

The following are the trainings attended by the Directors during the financial year:

DIRECTOR	TRAININGS ATTENDED
Tun Dato' Seri Arshad Ayub Chairman/Independent Non-Executive Director	<ul style="list-style-type: none"> Anti-Bribery Training for CEO and Chairman
Dato' Dr. Ong Eng Long @ Ong Siew Chuan Senior Independent Non-Executive Director	<ul style="list-style-type: none"> Anti-Bribery Training for CEO and Chairman Awareness Session on Section 17A of MACC Act Design and Interpretation of Clinical Trials Forum on the Future of Natural Rubber Industry, Price and Sustainability Challenges Transfer Pricing Aspects of Intra-Group Services
Professor Dato' Dr. Adeeba binti Kamarulzaman Independent Non-Executive Director	<ul style="list-style-type: none"> Anti-Bribery Training for CEO and Chairman
Dato' Edward Siew Mun Wai Independent Non-Executive Director (appointed on 27 November 2020)	<ul style="list-style-type: none"> Anti-Bribery Training for CEO and Chairman Corporate Liability Provision Section 17A of MACC Act 2009 (Amended 2018) Awareness Training
Wong Yien Kim Independent Non-Executive Director	<ul style="list-style-type: none"> Anti-Bribery Training for CEO and Chairman EY Malaysia Budget 2021 MIA - Artificial Intelligence and its Application to Finance
Lam Juan Juan Non-Independent Non-Executive Director	<ul style="list-style-type: none"> Anti-Bribery Training for CEO and Chairman BNP Paribas Wealth Management Webcast on Global Insights 2021 CPA Business Partnership for Entrepreneurial Women Credit Suisse Webinar New UK Budgets Impact on Property Investment by Lutea (Asia) Shaping a Sustainable Business Whistleblowing with Confidence
Goh Yen Yen Non-Independent Non-Executive Director	<ul style="list-style-type: none"> Anti-Bribery Training for CEO and Chairman
Goh Leng Kian Executive Director	<ul style="list-style-type: none"> Anti-Bribery Training for CEO and Chairman
Goh Miah Kiat Executive Director/ Chief Executive Officer	<ul style="list-style-type: none"> Anti-Bribery Training for CEO and Chairman

Corporate Governance Overview Statement

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

(II) BOARD COMPOSITION

The Board has nine (9) members comprising one (1) Independent Non-Executive Chairman, one (1) Senior Independent Non-Executive Director, three (3) Independent Non-Executive Directors, two (2) Non-Independent Non-Executive Directors, and two (2) Executive Directors, constituting majority independent directors. The present composition of the Board is in line with Practice 4.1 of the MCCG as more than half of its members are independent Directors.

Pursuant to the Constitution of the Company, an election of Directors shall take place each year at the Annual General Meeting of the Company, where one-third of the Directors for the time being, or nearest to one-third shall retire from office and be eligible for re-election.

Mr Wong Yien Kim, an Independent Non-Executive Director, will retire by rotation in accordance with Clause 97 of the Constitution of the Company and had indicated he will not seek for re-election. Accordingly, he will retain in office until the close of the 9th Annual General Meeting ("AGM").

The Board values independence greatly as it 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 the MMLR.

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

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

An Independent Director may continue to serve the Board upon completion of the nine (9) years 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 serving 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 tenures of two (2) Independent Directors, namely

Tun Dato' Seri Arshad Ayub and Dato' Dr. Ong Eng Long @ Ong Siew Chuan would reach nine (9) years on 30 November 2021 and 29 July 2022 respectively and shareholders' approval for their continuance in office as Independent Non-Executive Directors would be sought at the 9th AGM.

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.

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. Championing diversity and equality within the Group, the Board provides fair and equal opportunities to individuals regardless of age, race or gender. As such, there are three (3) capable female directors sitting on the Board, accounting to 33.33% of the Board's 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. Therefore, a diversity of perspectives coming from different walks of lives and various experiences at the Senior Management level of the Group is also highly cultivated. 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.

The Diversity Policy can be found on the Company's website at <http://www.karex.com.my/>.

NOMINATION COMMITTEE ("NC")

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 NC comprising Non-Executive Directors with a majority being Independent Non-Executive Directors are as follows:

Chairman	Tun Dato' Seri Arshad Ayub
Member	Wong Yien Kim
	Lam Jiuan Jiuan

During the financial year, Tun Dato' Seri Arshad Ayub was appointed as a member and chairman of the NC on 27 November 2020 to replace Mr Law Ngee Song who had retired at the 8th AGM.

The TOR sets out the duties and functions of the NC can be found on the Company's website.

Corporate Governance Overview Statement

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 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; and
- Independence for Independent Directors.

The NC is responsible for reviewing and making recommendations of any appointments to the Board for approval based on the size of the Board, the mix of skills, experiences and other qualities of the candidates. The Board will utilise independent sources if needed to identify suitably qualified candidates for new appointment to the Board in the future.

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 and effectively.

The NC has conducted two (2) meetings during the financial year and a summary of key activities undertaken by the NC in discharging its duties are as below:

- Reviewed and assessed the performance and effectiveness of the Board as a whole, the Board Committee, and the contribution of each individual director;
- Reviewed and assessed the independence of Independent Directors;
- Reviewed and recommended to the Board the appointment of a new Director;
- Reviewed and recommended to the Board, the re-election of the Directors who will be retiring at the forthcoming Annual General Meeting;
- Reviewed and assessed the terms of office and performance of the Audit Committee and each of its members; and
- Reviewed and assessed the performance of the Senior Management.

Based on the NC's assessment, the Board concluded that the current size and composition of the Board is optimum and balanced. Utilising diverse skills, experience and knowledge, the Board as a whole and its Board Committees have been effective in discharging their functions. The NC and the Board are generally satisfied with the level of independence demonstrated by all the Independent Directors and their ability to bring independent and objective judgment to the Board deliberations. The NC also opined that the AC and all its members have carried out their duties in accordance with the TOR.

(III) REMUNERATION

Remuneration Committee ("RC")

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

Chairman	Tun Dato' Seri Arshad Ayub
Member	Dato' Dr. Ong Eng Long @ Ong Siew Chuan
	Goh Yen Yen

During the financial year, Dato' Dr. Ong Eng Long @ Ong Siew Chuan was appointed as a member of the RC on 27 November 2020 to replace Mr Law Ngee Song who had retired at the 8th AGM.

The TOR sets out their duties and functions of the RC and can be found on the Company's website.

The RC reviews annually the remuneration packages of Executive and Non-Executive Directors for recommendation and approval by the Board. The remuneration of Directors is determined at levels which enables the Company to attract and retain Directors with the relevant experience and expertise to manage the business of the Group effectively. All Directors shall abstain from participating in the decision making of his or her remuneration.

The RC also evaluates the Senior Management's remuneration based on their Key Performance Indicators, experience, expertise, skills and industry benchmarks. This remuneration is maintained at a level which enables the Company to attract, develop and retain high performing individuals with the relevant experience and expertise.

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

Corporate Governance Overview Statement

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

(III) REMUNERATION

Subject to the shareholders' approval at the forthcoming AGM, the proposed Non-Executive Directors' fees for the financial year ended 30 June 2021 is RM634,167 whilst their benefits, comprising of meeting allowances are proposed to be capped at RM61,000 for the period from 1 December 2021 to 30 November 2022.

Directors' Remuneration

The breakdown of the Directors' remuneration for the year ended 30 June 2021 are as follows:

Director	Group					Company		
	Fees ¹ RM	Salaries, Bonuses & Allowances ² RM	Benefits ³ RM	EPF RM	Total RM	Fees ¹ RM	Allowances RM	Total RM
Tun Dato' Seri Arshad Ayub	120,000	6,500	-	-	126,500	120,000	6,500	126,500
Dato' Dr. Ong Eng Long @ Ong Siew Chuan	90,000	7,000	-	-	97,000	90,000	7,000	97,000
Professor Dato' Dr. Adeeba binti Kamarulzaman	80,000	6,500	-	-	86,500	80,000	6,500	86,500
Dato' Edward Siew Mun Wai ⁴	46,667	2,500	-	-	49,167	46,667	2,500	49,167
Wong Yien Kim	90,000	7,000	-	-	97,000	90,000	7,000	97,000
Lam Jiuan Jiuan	90,000	6,000	-	-	96,000	90,000	6,000	96,000
Goh Yen Yen	80,000	4,000	-	-	84,000	80,000	4,000	84,000
Goh Leng Kian	-	655,500	28,000	123,880	807,380	-	3,500	3,500
Goh Miah Kiat	-	824,500	14,000	155,800	994,300	-	4,500	4,500
Law Ngee Song ⁵	37,500	5,000	-	-	42,500	37,500	5,000	42,500
	634,167	1,524,500	42,000	279,680	2,480,347	634,167	52,500	686,667

¹ Fees paid to Non-Executive Directors

² Salaries, bonuses and meeting allowances for Directors' attendance at each Board and Board Committee meeting

³ Benefits in terms of car-related benefits

⁴ Appointed as Independent Non-Executive Director on 27 November 2020

⁵ Resigned as Independent Non-Executive Director on 27 November 2020

Senior Management's Remuneration

The Board deliberated and concluded that the disclosure of Senior Managements' remuneration including the top five key management personnel in the Audited Financial Statements was adequate. This approach was arrived at having taken into consideration the sensitivity of Senior Managements' remuneration packages and the potential privacy, security and staff poaching issues that may arise due to disclosure.

The Board wishes to provide assurance that the remuneration of Senior Management is continuously evaluated based on individual performance and potential to contribute in relation to the Group's overall performance.

Corporate Governance Overview Statement

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

(I) AUDIT COMMITTEE (“AC”)

The Board has established an effective and independent AC, comprising highly accredited members who have vast experience in various fields. Presently, the AC comprises solely Independent Non-Executive Directors and the Chairman of the AC is not the Chairman of the Board.

The responsibilities, composition and summary of work of the AC are outlined in the AC Report on pages 50 to 52 of this Annual Report.

The AC complies with the recommendation of MCCG requiring all members to be independent and at least one member fulfils qualifications prescribed by the MMLR. Independence is an essential element for the AC members to fulfil their roles objectively and to provide critical and sound views in ensuring the integrity of financial controls and integrated reporting, while identifying and managing key risks. All members of the AC are financially literate.

The AC has adopted a policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC and the said policy has been incorporated in the TOR of the AC which is available on the Company’s website.

The Board has defined its policy on suitability and independence of External Auditors engaged to assess, review and evaluate the Group’s financial matters. In accordance with this policy, the AC will review the qualification, audit performance and execution, provision of non-audit service and tenure of service of the External Auditors. Annually, the AC also reviews the appointment, performance and remuneration of the External Auditors before recommending them to the shareholders for re-appointment during the AGM.

During the financial year, Dato' Edward Siew Mun Wai was appointed as a member of the AC on 27 November 2020.

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.

(II) RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its overall responsibilities for establishing and maintaining sound risk management and internal control systems, and for reviewing its adequacy and integrity.

The Board has an established on-going processes for identifying, evaluating and managing significant risks which may affect the Company’s business objectives. The Board through its Risk Management Committee (“RMC”) reviews this processes to ensure the internal control and risk management framework is adequate and effective. The present composition of the RMC are as follows:

Chairwoman	Lam Jiuan Jiuan
Member	Dato' Dr. Ong Eng Long @ Ong Siew Chuan
	Professor Dato' Dr. Adeeba binti Kamarulzaman
	Goh Miah Kiat
	Goh Chok Siang

The details of the Group’s risk management and internal control framework are disclosed in the Statement on Risk Management and Internal Control on pages 54 to 57 of the Annual Report.

The internal audit function is outsourced to Moore Stephens Associates PLT, a chartered accounting firm. The internal audit function is headed by an Executive Director, with the support of a manager to oversee the audit assignments and an average of two (2) executives to carry out the audit fieldworks. The Executive Director in charge is a Certified Internal Auditor and Chartered Member of Institute of Internal Auditors Malaysia, while the other team members are university graduates with adequate experience. The Internal Auditors have performed their work with reference to the principles of the International Professional Practice Framework of Institute of Internal Auditors. The AC will review the engagement between the Group and the Internal Auditors to ensure that the Internal Auditors’ objectivity and independence are not impaired or affected.

Corporate Governance Overview Statement

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

(I) COMMUNICATION WITH STAKEHOLDERS

Corporate disclosure and information is of utmost importance for investors and shareholders. The Board is advised by Management, the Company Secretaries and the External and Internal Auditors on the contents and timing of disclosure requirements of the MMLR on the financial results and various announcements. The 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, further information of the Company is available on the Company's website at <http://www.karex.com.my/>.

Promoting sustainability is part of the corporate responsibilities of the Group. The Board has reported its sustainability initiatives undertaken by the Group on pages 16 to 27 of this Annual Report.

(II) CONDUCT OF GENERAL MEETINGS

It has always been the Company's practice to maintain good relationship with its shareholders. Major corporate developments and activities in the Company have always been duly and promptly announced to all shareholders, in line with Bursa Securities' objectives of ensuring transparency and good corporate governance practices.

The CEO presents the Company's performance and major activities carried out during the financial year under review in each Annual General Meeting ("AGM") to provide meaningful information and encourage shareholders' participation. Shareholders have the opportunity to enquire and comment on the Company's performance and operations at the AGM. The Board including the Chair of all the respective Board Committees were in full attendance, addressed shareholders' concern alongside the CEO. Similar information is also shared in the press conferences or press releases, if held during the year.

All the resolutions set out in the Notice of the Eighth AGM was put to vote by poll and duly passed. The outcome of the AGM was announced to Bursa Securities on the same day as the meeting.

The CEO also holds regular analyst briefings and investor relations meetings as part of the Company's investor relations initiatives.

The Notice of AGM is circulated at least twenty eight (28) days before the date of the meeting to provide shareholders sufficient time to go through the Annual Report and papers supporting the proposed resolutions.

Shareholders who are unable to attend are allowed to appoint proxies to attend, participate, interact and vote on their behalf.

In view of the pandemic and movement control enforcement, the upcoming AGM for the year 2021 will be held virtually.

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board dated 11 October 2021.

Additional Compliance Information

The following information is provided in accordance with Paragraph 9.25 of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad as set out in Appendix 9C for the financial year ended 30 June 2021, unless otherwise stated:

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 2021, the amount of audit and non-audit fees paid by the Company and the Group to KPMG PLT and its affiliates are as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Fees paid to external auditors and its affiliates				
Audit fees	398	400	85	85
Non-audit fees	37	17	37	17

3. Material Contracts Involving the Interest of Directors, Chief Executive and Major Shareholders

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

The Chief Executive Officer is the Chief Executive who oversees and is primarily responsible for the overall group business operations.

4. 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 Karex Berhad is pleased to present the Audit Committee Report for the financial year ended 30 June 2021.

COMPOSITION AND MEETINGS

The Audit Committee (“AC”) comprises the following members and details of their attendance at the five (5) meetings held during the financial year ended 30 June 2021 are as follows:

	NAME OF DIRECTORS	ATTENDANCE
Chairman	Wong Yien Kim Independent Non-Executive Director	5/5
	Tun Dato’ Seri Arshad Ayub Independent Non-Executive Director	5/5
	Dato’ Dr Ong Eng Long @ Ong Siew Chuan Senior Independent Non-Executive Director	5/5
Member	Professor Dato’ Dr. Adeeba binti Kamarulzaman Independent Non-Executive Director	5/5
	Dato’ Edward Siew Mun Wai Independent Non-Executive Director (appointed on 27 November 2020)	2/2
	Law Ngee Song Independent Non-Executive Director (resigned on 27 November 2020)	3/3

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)(i) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

During the financial year, the Nomination Committee has reviewed the performance and effectiveness of the AC based on the criteria as stated in Corporate Governance Overview Statement and reported that the AC and its members have discharged their functions, duties and responsibilities in accordance with its Terms of Reference.

Further details of each AC member are listed under the Profile of Directors as set out on pages 28 to 36 of this Annual Report.

TERMS OF REFERENCE (“TOR”)

The TOR of AC are published on the corporate website of the Company at <http://www.karex.com.my/> for shareholders’ reference pursuant to Paragraph 15.11 of MMLR. These TOR were updated in accordance with the practices in the Malaysian Code on Corporate Governance 2017 on the provisions of the composition requirements of AC members as well as the roles of AC Chairman and members.

Audit Committee Report

SUMMARY OF WORK

The work carried out by the AC during the financial year with respect to their responsibilities are summarised as follows:

Ensuring Financial Statements Comply with Applicable Financial Reporting Standards:

- (a) Reviewed the financial positions, unaudited quarterly interim financial reports and announcements for the respective financial quarters prior to submission to the Board for consideration and approval. The review is to ensure that the Group's unaudited quarterly financial reporting and disclosures present a true and fair view of the Group's financial position and performance and are in compliance with the approved Malaysian Financial Reporting Standard and disclosure provision of the MMLR; and
- (b) Reviewed the audited financial statements for the financial year ended 30 June 2021 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 the integrity of information in the financial statements focusing particularly on:
 - significant adjustments resulting from the audit, going concern assumption, completeness of disclosures and compliance with accounting standards;
 - changes in and implementations of major accounting policies and practices to the Group, if any;
 - 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:

- (a) Reviewed the audit plan of the External Auditors covering their scope of audit, methodology and timetable, audit materiality, and areas of focus prior to the commencement of their annual audit;
- (b) Assessed and discussed the External Auditors' audit status report covering the key audit matters, audit findings and recommendations relating to internal control deficiencies;
- (c) Met the External Auditors without the presence of executive Board Members and Management to further discuss matters arising from audit and assessed the co-operation and assistance given by Management to the External Auditors; and
- (d) Reviewed the fees and expenses paid to the External Auditors, including fees paid for non-audit services during the year and assessed the independence of the External Auditors for the re-appointment as External Auditors. The AC is of the opinion that the independence of the External Auditors has not been compromised based on the independent confirmation provided by the External Auditors.

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

- (a) Discussed with the Internal Auditors on the progress and coverage of the audit plan in its quarterly meetings to ensure that the audit scope remains relevant taking into consideration changes in the Group's operating environment;
- (b) Reviewed and discussed with the Internal Auditors, their audit findings, recommendations made, Management's responses to the audit findings and proposed action plans, including those issues arising during the course of audit (in the absence of Management where necessary);

Audit Committee Report

- (c) Reviewed the effectiveness and efficiency of the internal controls system in place and the risk factors affecting the Group as well as the action plans taken by Management to resolve the issues to ensure adequacy of the internal controls system;
- (d) Reviewed and established frameworks to address past internal audit findings, whilst further strengthening the Group's internal processes; and
- (e) Assessed the adequacy of the scope, independence, competency and cost of the Internal Audit function to ensure efficient and effective functionality of the Internal Auditors.

Overseeing Governance Practices in the Company;

- (a) Reviewed the Corporate Governance Statement, AC Report and Statement on Risk Management and Internal Control before recommending them to the Board for approval and inclusion in the Annual Report; and
- (b) Monitored the Group's involvement in related party transactions and ensured that these transactions were performed at arm's length basis, on normal commercial terms, and were not detrimental to the interests of minority shareholders.

INTERNAL AUDIT FUNCTIONS

The Group's internal audit function was outsourced to Moore Stephens Associates PLT, a chartered accounting firm. The outsourced Internal Auditors report directly to AC and assist the Board via the AC in providing independent assessment of the adequacy, efficiency 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 focuses on relevant and appropriate risk areas, an internal audit plan was developed in consultation with Management, taking into consideration the Group's structure, concerns and the challenges faced. A new internal audit plan will be proposed and presented to the AC when appropriate for deliberation and approval before internal audit reviews are carried out.

In view of the pandemic and movement control enforcement, the Internal Auditors performed their work remotely and virtually. The summary of work conducted and reported by the Internal Auditors to the AC during the AC's quarterly meetings in the current financial year are as follows:

- (i) Assessed the effectiveness and control procedures of financial reporting and hiring to retiring processes;
- (ii) Assessed the effectiveness and control procedures in supply chain and procurement management;
- (iii) Assessed the effectiveness and control procedures of production operation, quality assurance, health, safety and environment of a major subsidiary;
- (iv) Assessed the effectiveness and control procedures of research & development and technical & engineering departments; and
- (v) Conducted follow-up reviews quarterly with Management to ensure implementations of the agreed audit recommendations.

The fee for internal audit function of the Group for the financial year ended 30 June 2021 was RM90,000.

This report is made in accordance with the resolution of the Board dated 11 October 2021.

Directors' Responsibility Statement

The Directors of Karex Berhad ("the Company") are required to prepare financial statements for each financial year which have been made in accordance with the applicable financial reporting standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the state affairs of the Company and of the Group at the end of the financial year and of their results and cash flows for that financial year.

In preparing the financial statements of the Company and of the Group for the financial year ended 30 June 2021, the Directors of the Company have:

- Adopted suitable accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Ensured that applicable financial reporting standards have been followed; and
- Prepared the financial statements on a going concern basis as the Directors have a reasonable expectation, upon making enquiries, that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

The Directors are responsible to ensure that the Company and the Group maintain proper accounting records that disclose their financial positions with reasonable accuracy, in compliance with the Companies Act 2016.

The Directors are also responsible for taking such steps which are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraudulent and irregular activities.

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 2021. This Statement is prepared pursuant to paragraph 15.26(b) and Practice Note 9 of the Main Market Listing Requirements (“MMLR”) 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

Committed towards the maintenance of a sound internal control system and effective risk management structure, the Board sets appropriate policies on internal control and constantly seeks assurance of the adequacy and effectiveness of them. These policies and guidelines comply with applicable laws and rules of risk management, including the Malaysian Code of Corporate Governance.

The Board is also responsible in setting business direction and in overseeing the conduct of the Group’s operations, besides building a stronger foundation of internal control to effectively manage and mitigate risks face by the Group. This solid foundation of internal controls has been ingrained into the Group’s corporate culture as a mechanism to safeguard shareholders’ investments and the Group’s assets.

RISK MANAGEMENT AND INTERNAL CONTROLS

As part of the Group’s endeavour to continuously strive for high standards of corporate governance practices, the Board has established a Risk Management Committee (“RMC”), specifically to perform risk assessment, which relates to identifying and analysing the risks which could potentially affect the Group. This Committee is further assisted by the Group’s senior management personnel, who collectively form the Risk Management Working Committee (“RMWC”).

Composition of RMC:

Chairwoman	Member	
Lam Jiuan Jiuan Non-Independent Non-Executive Director	Dato’ Dr. Ong Eng Long @ Ong Siew Chuan Senior Independent Non-Executive Director	Goh Miah Kiat Executive Director Chief Executive Officer
	Professor Dato’ Dr. Adeeba binti Kamarulzaman Independent Non-Executive Director	Goh Chok Siang Chief Financial Officer

RISK MANAGEMENT

The RMWC carries the responsibility of identifying, evaluating, monitoring and managing key risk areas which could potentially affect the achievement of the Group’s business objectives and strategies. Identification of risk appetite which commensurates with the structure, risk profile, complexity, activities and size of the Group is also performed by the RMWC, which is subsequently presented to the RMC for approval.

The RMC then continues to assess the key risks, controls and action plans identified to mitigate and manage the Group’s risk exposure in efforts to further strengthen the Group’s existing risk management framework. Major risks identified, together with their proposed action plans are then presented to the Board.

Statement on Risk Management and Internal Control

Throughout the financial year in review, two (2) meetings were conducted by the RMC, which revolved around the analysis of emerging and existing strategic risks faced by the Group and the establishment of solid mitigation plans in managing the identified risks. Key matters raised during the meeting are as follows:

Key Risk Focus	Key Mitigation Plan
Information Technology ("IT") Risk	<ul style="list-style-type: none"> • IT Disaster Recovery Plan is maintained to ensure the recovery process is executed smoothly and operation interruption is reduced in the event of disaster. • The Group's IT hardware and software are constantly being monitored and upgraded to keep up with the latest technologies. • Security measures for IT related materials are assessed and improved regularly. • To combat the growing threat of hackers, confidential files are kept in separate locations with additional security measures.
Pandemic Risk	<ul style="list-style-type: none"> • The Business Continuity Plan has been modified and executed in response to the pandemic risk, addressing the following: - <ul style="list-style-type: none"> – The appointment of Business Continuity Planning Manager, along with Onsite Response Team and Crisis Management team to monitor operations, make critical decisions, and issue relevant communications during the Movement Control Order ("MCO") period. – All non-essential international travel was cancelled to comply with the Standard Operating Procedures ("SOP") set by the Government. – All employees returning from international travel were quarantined for a period of 14 days in accordance with the SOP set out by the Government. – Work From Home initiatives and alternate workdays were implemented for office-based employees. – Onsite workforce was reduced in compliance with the SOP set by the Government. – All visitors including couriers were not allowed to enter the Group's premises during the MCO and Conditional MCO ("CMCO") periods. Designated areas were allocated for necessary logistics transactions. – Factory tours and in-house trainings were suspended during MCO and CMCO periods. – Sanitisation and cleaning of high traffic areas occurred three (3) times a day. – Social distancing and temperature checks were implemented for all staff and visitors entering the Group's premises. – Hand sanitiser and face masks were provided to all staff. • Laptops and online meeting applications have been made available to executive-level staff to facilitate remote working and to conduct meetings with suppliers, customers etc. • To protect all staff members from the COVID-19 virus, the Group has procured COVID-19 vaccines via government programs to fully vaccinate all employees, including employees in foreign plants. • In order to detect any positive cases amongst employees as soon as possible, all employees are subjected to random biweekly RTK Antigen tests.
Foreign Worker/Social Compliance Risk	<ul style="list-style-type: none"> • Best practices and a Social & Ethical Management System have been implemented to enhance workforce management. • An independent review and assessment on ethical trade, human rights and labour standards of our firm has concluded that there is currently no forced labour/debt bondage within the group.
Succession Planning	<ul style="list-style-type: none"> • The Group has launched a Talent Development Programme with the purpose of nurturing new talent to act as a reserve talent pool.

Statement on Risk Management and Internal Control

Key Risk Focus	Key Mitigation Plan
Supply Chain	<ul style="list-style-type: none"> Raw materials are stocked up in all plants in preparation for any emergencies. The Group has expanded the supplier base in order to minimise the risk of operation disruptions.
Safety Risk	<ul style="list-style-type: none"> A Safety Officer was appointed to oversee health and safety practices.
Foreign Exchange Risk	<ul style="list-style-type: none"> The movement of foreign exchange is constantly being monitored by the Group. Foreign currency exposure is mitigated through utilising of Forward Exchange Contracts.

On the operational level, risk management remains a primary matter discussed in management meetings between the RMWC and Head of Departments (“HODs”). Involved in the daily affairs of the Group, these HODs are then required to monitor and implement action plans, while enforcing internal controls to manage the potential risks.

INTERNAL CONTROLS

The key subsidiaries of the Group continue to be certified under the ISO 13485:2016 Quality Management System and the ISO 14001:2015 Environmental Management System. These management systems form the fundamentals of the operational procedures in ensuring consistency in production processes. Internal quality audits and independent surveillance audits are also being conducted by external certificated bodies to ensure compliance of the Group towards each certification requirements. In addition, the Group continues to be certified and licensed by regulators from various countries.

Other key elements relating to the internal control system of the Group are as follows:

- 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, Chief Executive Officer (“CEO”), Senior Management and HODs for the transactions undertaken in the Group;
- As a precautionary step, risks faced by the Group have been insured to minimise financial exposure and losses. They include burglary, fire, stocks, money, fidelity guarantee, product liability and staff health and safety;
- Financial performance is reviewed by Executive Directors and CEO;
- Written policies and procedures on key processes of the Group are constantly being reviewed and enhanced to ensure its adequacy;

- Ongoing monthly management reporting procedures are executed to monitor and track the Group’s performance; and
- Internal Auditors conduct testing of the effectiveness and adequacy of internal control procedures and processes.

BOARD REVIEW MECHANISM

The Audit Committee (“AC”) is entrusted by the Board with the responsibility of ensuring the objectivity of internal control system within the Group. In order to enhance the effectiveness of risk management and internal control systems, the AC is assisted by the Internal Auditors, a body independent of the Group’s activities and operations, to assess the adequacy and effectiveness of control of the selected key functions on a quarterly basis. The Group’s External Auditors have also provided the AC with their professional views and feedback on the risk and control issues identified during the course of their statutory audit.

Areas for improvement identified by both Internal and External Auditors throughout the financial year in review have been deliberated by the Board and AC to maintain the integrity of internal controls. None of the reported control weaknesses have resulted in any material loss, contingencies or uncertainties that would require mention in the Company’s Annual Report. While the Group takes pride in its current comprehensive internal control framework, the Management Team continuously strives to further strengthen and enhance internal controls with assistance from both internal and external parties.

In addition, management supplements the AC review on control and understanding of risk issues when presenting their quarterly financial performance and results. Together with the Group’s business development and the performance of its subsidiaries, the financial performance of the Group is then reviewed and thereafter recommended to the Board for approval before subsequently being publicly announced.

Statement on Risk Management and Internal Control

The Board has also defined the Code of Ethics for the Group and established a whistleblowing channel for reporting of violations against this code. Under this establishment, employees and stakeholders who know of or suspect any forms of violation are encouraged to report the incident.

MANAGEMENT RESPONSIBILITIES AND ASSURANCE

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

- Identifying risks relating to 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 Chief Financial Officer 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 levels of risk management and internal controls are adequate and effective in enabling the Group to achieve its business objectives and operational efficiency and effectiveness.

The Board is of the view that the risk management and internal control systems in place for the year under review are adequate and effective in safeguarding 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 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 Audit and Assurance Practice Guide ("AAPG") 3, (previously Recommended Practice Guide 5 (Revised 2015)), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by Malaysian Institute of Accountants for inclusion in the annual report of the Group for the year ended 30 June 2021, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the Annual Report of the Group, in all material respects:

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

AAPG 3 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 External 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 problems.