annual report 2018

karex

> **Looking ahead, the Board remains confident in the outlook of our industry and we remain focused on executing our strategic vision to be a holistic global sexual wellness solution provider.**

For more information about our Chairman's Statement, please refer to page 8 of this Annual Report.

OUR MISSION

Our Mission is to be and remain the world's leading provider of sexual wellness products and solutions. We cultivate entrepreneurship, diversity and the desire to excel in the things we do. We strive to develop the most creative, inspiring and unique experiences for the global community.

OUR VISION

Our Vision is to continuously build an organisation that responds to changing views of sexual health and develops products that inspire people to make better, healthier choices. We champion social responsibility and sustainability, not just as moral imperatives but to build better, stronger relationships within our communities.

For more information, please visit our corporate website at http://www.karex.com.my/

Cover Photo by Muhammad Nur Shafiq bin Nizam Shah (UiTM),
Karex Art Against AIDS 2017 Grand Prize Winner.
Artwork Title: *Emerges of the Hope*

Inside This Report

Corporate Information

BOARD OF DIRECTORS

Tan Sri Dato' Seri Utama Arshad Bin Ayub
Chairman/Independent Non-Executive Director

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

Goh Leng Kian
Executive Director

Goh Yen Yen
Non-Independent Non-Executive Director

Lam Jiuan Jiuan
Non-Independent Non-Executive Director

Wong Yien Kim
Independent Non-Executive Director

Law Ngee Song
Independent Non-Executive Director

Corporate Information

AUDIT COMMITTEE

Wong Yien Kim
Chairman
Independent
Non-Executive Director

Tan Sri Dato' Seri Utama Arshad Bin Ayub
Member
Independent
Non-Executive Director

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

Law Ngee Song
Member
Independent
Non-Executive Director

RISK MANAGEMENT COMMITTEE

Lam Jiuan Jiuan
Chairwoman
Non-Independent
Non-Executive Director

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

Law Ngee Song
Member
Independent
Non-Executive Director

Goh Miah Kiat
Member
Chief Executive Officer

Goh Chok Siang
Member
Chief Financial Officer

REMUNERATION COMMITTEE

Tan Sri Dato' Seri Utama Arshad Bin Ayub
Chairman
Independent
Non-Executive Director

Law Ngee Song
Member
Independent
Non-Executive Director

Goh Yen Yen
Member
Non-Independent
Non-Executive Director

NOMINATION COMMITTEE

Law Ngee Song
Chairman
Independent
Non-Executive Director

Wong Yien Kim
Member
Independent
Non-Executive Director

Lam Jiuan Jiuan
Member
Non-Independent
Non-Executive Director

COMPANY SECRETARIES

Lim Lee Kuan
(MAICSA 7017753)

Teo Mee Hui
(MAICSA 7050642)

REGISTERED OFFICE

10th Floor, Menara Hap Seng
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Tel : +603-2382 4288
Fax : +603-2382 4170

MANAGEMENT OFFICE

Lot 594, Persiaran Raja Lumu
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Tel : +603-3165 6688
Fax : +603-3166 2000
Email : karex@karex.com.my

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.(378993-D)
Level 6, Symphony House
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Selangor Darul Ehsan, Malaysia
Tel : +603-7849 0777
Fax : +603-7841 8151/8152

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

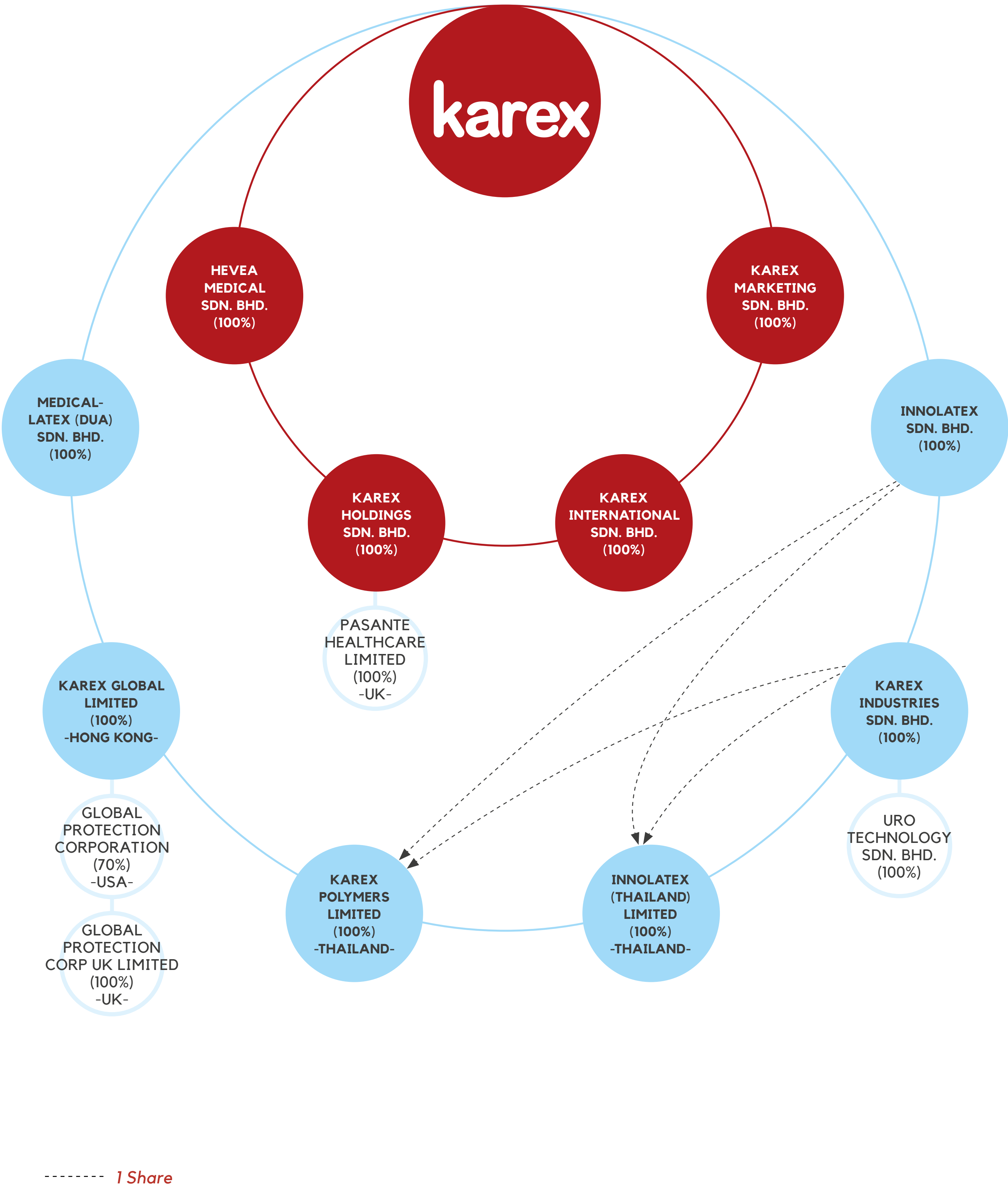
Bangkok Bank Public Company Limited
CIMB Bank Berhad
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
RHB Bank Berhad
United Overseas Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

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

Corporate Structure

AS AT 30 SEPTEMBER 2018



Key Strategies

CORE COMPETENCIES

We remain committed to enhancing our production facilities and processes in order to retain our position at the forefront of the condom manufacturing industry. Improvements are constantly being introduced to reduce production lead times and elevate cost competitiveness, quality assurance and safety standards.

BRANDING

We continue to utilise a multiple brand portfolio to address different segments of what is an increasingly stratified condom market. Branding continues to allow us to understand our customers more intimately and build the profile of our Group as a holistic sexual wellness solution provider on the global platform.

INNOVATION

We will always consider innovation to be core to our identity, ultimately distinguishing us from our peers within the industry and enabling us to offer greater value to our customers. We are always devising new methods to enhance the end user experience whether it be in the form of dispelling social stigmas, improving sensory experiences or providing greater degrees of quality assurance.

HUMAN CAPITAL

Our people are our greatest assets and will eventually enable our Group to achieve our ambitions. We have continued to invest in more appropriate incentive schemes and training to cultivate a culture of leadership and entrepreneurship within our Group. We focus not only on recruiting the best talent, but also on assisting them to achieve their potential.

Financial Highlights

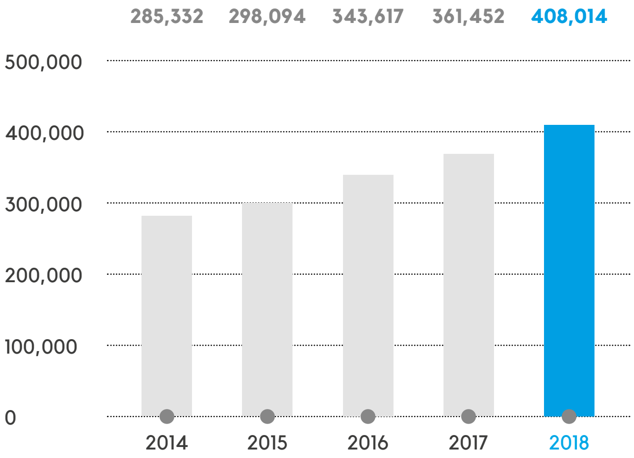
		Financial year ended 30 June				
		2014	2015	2016	2017	2018
	Financial Performance (In RM'000)					
(i)	Revenue	285,332	298,094	343,617	361,452	408,014
(ii)	Profit before tax	54,428	73,282	79,350	37,049	14,278
(iii)	Profit attributable to Owners of the Company	45,168	59,553	66,685	27,946	10,103
	Financial Position (In RM'000)					
	Assets					
(i)	Total tangible assets	289,864	473,306	525,509	496,841	489,252
(ii)	Net assets	223,332	431,597	479,067	496,644	483,346
(iii)	Current assets	203,549	343,885	344,328	294,840	277,768
	Liabilities and Shareholders' Funds					
(i)	Current liabilities	51,664	51,241	54,541	75,801	81,249
(ii)	Paid-up share capital	101,250	167,063	250,594	281,980	281,980
(iii)	Shareholders' funds	223,332	431,597	479,067	496,644	483,346
	Per Share					
(i)	Basic earning (sen) *	5.23	6.34	6.65	2.79	1.01
(ii)	Net assets (RM) **	0.55	0.65	0.48	0.50	0.48
	* Based on weighted average number of shares issued ('000)	863,316[a]	938,962[a]	1,002,375[a]	1,002,375	1,002,375
	**Based on number of shares issued ('000)	405,000	668,250	1,002,375	1,002,375	1,002,375
	Financial Ratios					
(i)	Return on total tangible assets (%)	15.58	12.58	12.69	5.62	2.06
(ii)	Return on shareholders' funds (%)	20.22	13.80	13.92	5.63	2.09
(iii)	Current ratio (times)	3.94	6.71	6.31	3.89	3.42
(iv)	Gearing ratio (times)	0.10	0.05	0.05	0.04	0.06
(v)	Gearing ratio net of cash (times)	N/A[b]	N/A[b]	N/A[b]	N/A[b]	N/A[b]

[a] Restated to reflect the retrospective adjustments arising from the bonus issue completed in the financial year 2014 to 2016 in accordance with "MFRS 133, Earnings per Share".

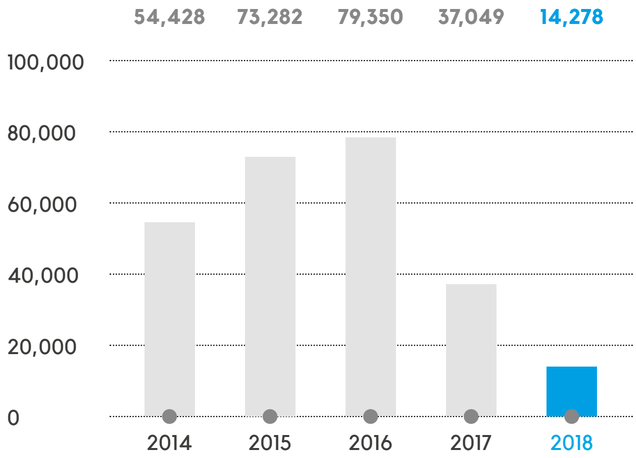
[b] No disclosure of gearing ratio net of cash (times) as the Group is in a net positive cash flow position.

Financial Highlights

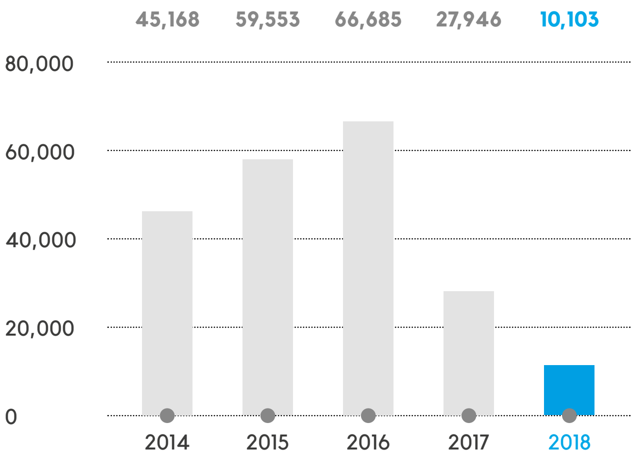
REVENUE
(RM'000)



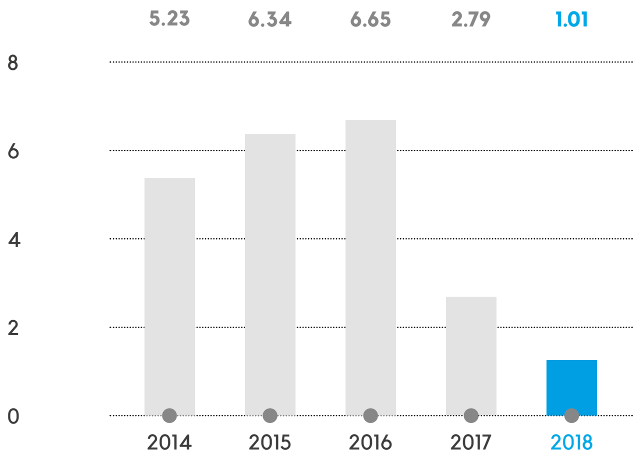
PROFIT BEFORE TAX
(RM'000)



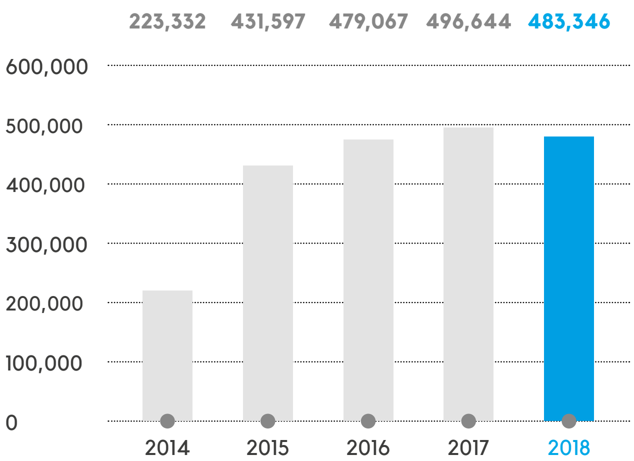
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
(RM'000)



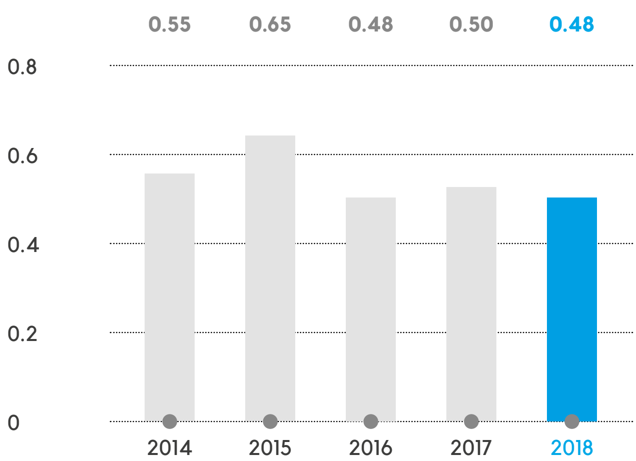
BASIC EARNING PER SHARE
(SEN)



NET ASSETS
(RM'000)



NET ASSETS PER SHARE
(RM)



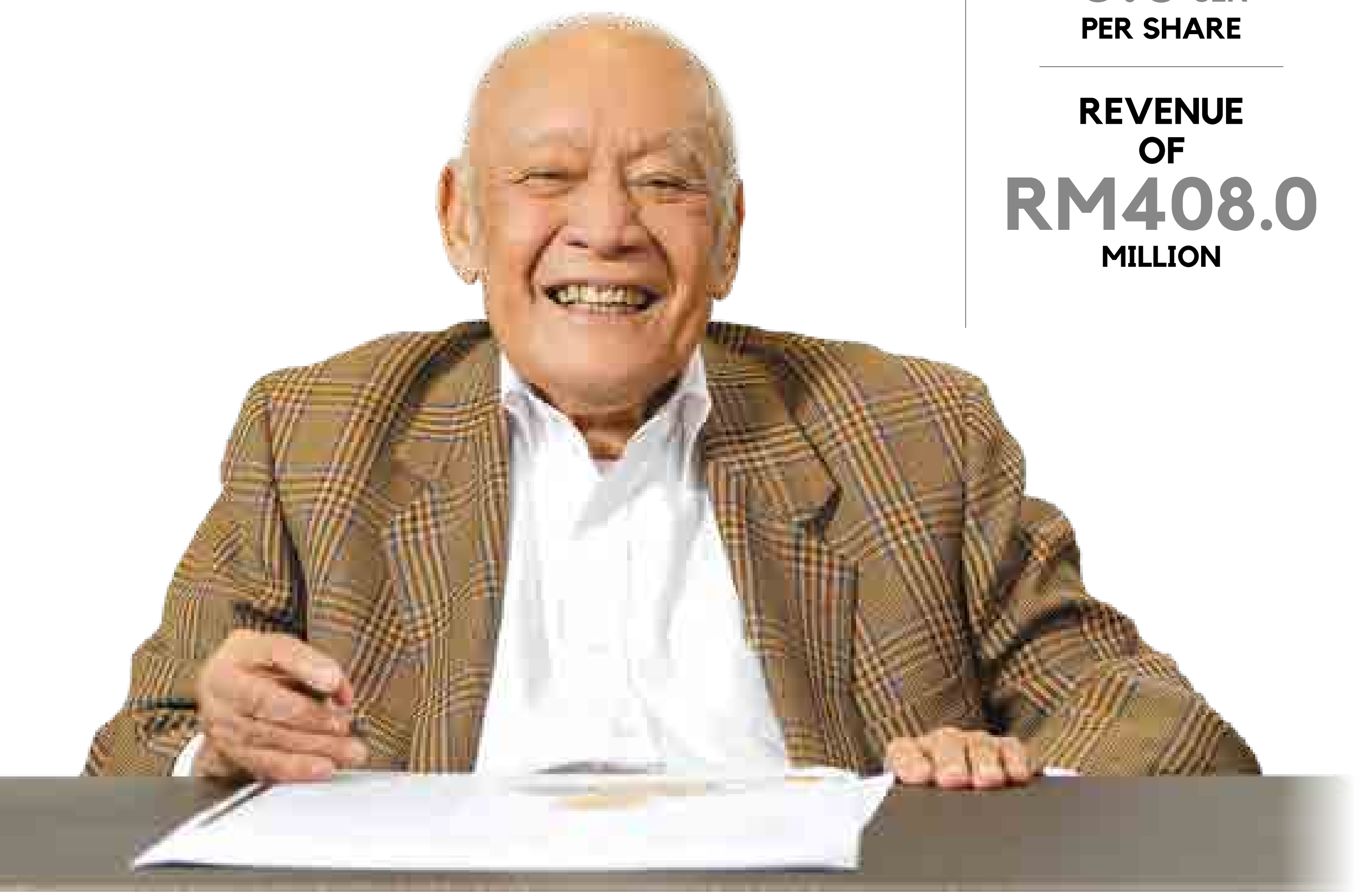
Chairman's Statement

Dear valued shareholders,

As we look back on 2017, it is quite clear that the sexual health industry is going through a vast amount of change and disruption. Traditional avenues of sales such as the Tender segment have been fiercely contested whilst condom manufacturers around the world have had to cope with a global economic climate that has been extremely volatile in terms of foreign exchange rates and commodity prices.

Tan Sri Dato' Seri Utama Arshad Bin Ayub

CHAIRMAN/INDEPENDENT NON-EXECUTIVE DIRECTOR



PROPOSING A DIVIDEND OF 0.5 SEN PER SHARE

REVENUE OF RM408.0 MILLION

Chairman's Statement

On the ground, electronic commerce is transforming the way consumers purchase goods, creating opportunities for brands to enter new markets. Looking forward, success will ultimately be determined by which companies are best able to overcome the challenges and take advantage of the prospects as they present themselves.

In spite of this uncertainty, we have delivered commendable growth during the year, recording a revenue of RM408.0 million. Although profitability was affected by macroeconomic factors, the contribution from our own brands also continued to make huge strides in progress. We have also continued to make notable improvements to our core manufacturing business with the construction of a new personal lubricant facility and latex compounding plant amongst the main highlights.

We remain committed to our dividend policy and delivering value to our shareholders hence we are proposing a dividend of 0.5 sen per share this year. If approved at our upcoming Annual General Meeting, the dividend will be paid to shareholders on 20 December 2018.

Looking ahead, the Board remains confident in the outlook of our industry and we remain focused on executing our strategic vision to be a holistic global sexual wellness solution provider. In our quest to expand, the Board remains dedicated to the highest standards and principles of good corporate governance and practices to ensure that the interests of our valued shareholders remain a priority at all times.

I would like to conclude by thanking our CEO, MK Goh, my colleagues on the Board and committed colleagues for their hard work and dedication during these challenging times. I would also like to thank our Board for their guidance and passion for our business over the past year. Finally, I would like to thank our customers and you, our shareholders, once more for your support.

Tan Sri Dato' Seri Utama Arshad Bin Ayub
Chairman

CEO's Management Discussion & Analysis

"Condom promotion has averted an estimated 50 million new HIV infections since the onset of the epidemic."

CEO's Management Discussion & Analysis

Industry Overview

The financial year ended 30 June 2018 ("FY 2018") was characterised by a climate in the global economy that continued to remain challenging and volatile. Manufacturers around the world had to be vigilant to manage costs against the backdrop of unprecedented levels of foreign exchange fluctuations combined with global commodity prices that escalated at a tremendous pace over specific periods of the year.

In spite of these challenges, the fundamental demand for condoms continued to expand as governments and non-government organisations ("NGOs") around the world remained committed to improving sexual health education. Condoms remain globally recognised as one of the most effective and economical methods of preventing unintended pregnancies, averting the transmission of sexually transmitted infections, HIV/AIDS and reducing the risk of cervical cancer and wart-causing human papillomavirus (HPV) in women.

Data presented during the 2018 International AIDS Conference, held in Amsterdam shows that condom promotion has averted an estimated 50 million new HIV infections since the onset of the epidemic. Despite the increased use of condoms over the past three decades, condom availability and use gaps remain, in particular in sub-Saharan Africa, where the gap between availability and need is estimated to be more than 3 billion condoms.

The stage is set for a condom industry that is on the verge of expanding at a dramatic pace with a dynamic range of consumers that are increasingly demanding condoms in more innovative varieties and packaging to bridge the social stigma that has traditionally limited take up amongst the public.

Operations Review

In a bid to insulate the future of our business from fluctuations in minimum wages as well as foreign labour policies that may sometimes cause disruptions to our labour supply, we have continued to invest in automation. The majority of the new automation equipment installed during the year has been aimed at reducing labour headcount in the electronic testing portion of the condom manufacturing process.

We reported last year that our latest dipping lines were not only more energy efficient but also capable of producing some of the thinnest natural latex condoms in the industry. This is in line with consumer preferences that have shifted towards thinner products that offer users more sensation. As a result, we scaled up the production of ultra-thin condoms to meet growing market demand – a trend that we envisage will continue in the immediate future.

The production of ultra-thin condoms requires not only sophisticated machinery but a more intimate understanding over the latex formulations employed in the manufacturing process. To facilitate this objective and to improve overall quality controls within our Group, construction of our dedicated latex compounding facility was completed during the year. We anticipate to reap the rewards of certain cost savings and more importantly, to be able to more strictly control the properties of the latex used in our manufacturing processes as we scale up production to cater for our Group's requirements.

Personal lubricants are a product sub-segment within our sexual wellness division that have become increasingly in demand. Not only are purchases amongst retailers escalating, many government agencies have also begun making enquiries making lubricants the fastest growing product sub-segment in our portfolio. Fittingly, we have this year commenced construction of a state-of-the-art personal lubricant manufacturing facility in Hat Yai, Thailand.

Financial Review

During FY 2018, the Group delivered topline growth in excess of 13% to register record high sales of RM408.0 million. This expansion has been driven by the sexual wellness division that continues to push new boundaries in spite of the competitive environment that is currently still being faced in the Tender market specifically.

TOPLINE GROWTH IN EXCESS OF 13%

OBM SEGMENT CONTRIBUTION OF 15% OF REVENUE

CEO's Management Discussion & Analysis

Despite encouraging sales growth, rising global commodity prices lead to an increase in prices of critical inputs, most notably of silicone oil and packaging materials. Moreover, the strengthening Ringgit Malaysia outpaced our ability to adjust prices with our customers during the year leading to gross profit margins falling to 26.3% for the financial year.

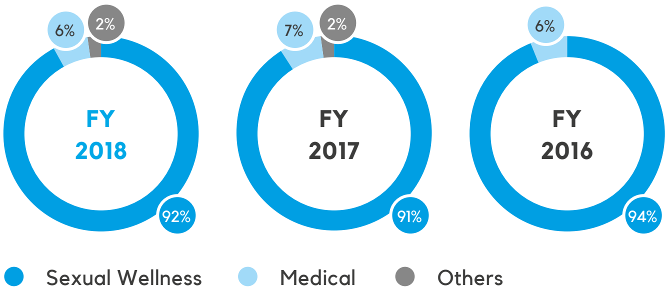
Distribution and administrative expenses also increased during the year as increased freight charges were incurred in line with rising global oil prices. Promotional expenditure during the year included launches for our own branded products in the United Kingdom ("UK") as well as in the United States of America ("USA"). This resulted in a decrease in both profit before tax and profit after tax to RM14.3 million and RM10.2 million respectively for the financial year.

On the back of higher sales volumes for the year, inventories also increased to RM122.3 million contributing to our total current assets for the year of RM277.8 million. Capital expenditures amounted to RM26.1 million as we continued to invest in upgrading our manufacturing facilities that contributed to an increase in total non-current assets to RM306.7 million and a corresponding total asset base of RM584.5 million by the end of the financial year.

In conjunction with our record own brand manufacturing ("OBM") sales contribution, we exercised our option to acquire an additional 15% of Global Protection Corporation for a cash consideration of RM7.6 million. Notwithstanding the investment, we continued to maintain agility in our balance sheet with a net cash position of RM20.4 million and shareholders' funds of RM483.3 million translating to a gearing ratio of 0.06x.

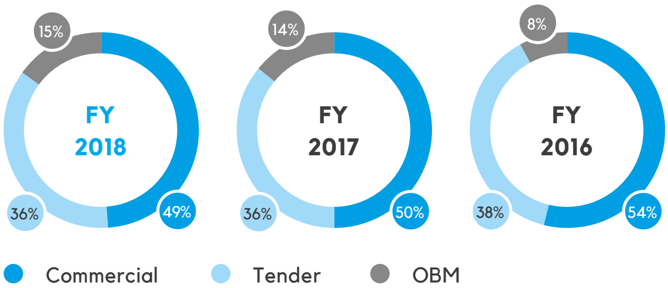
Product Segments

Revenue from the sexual wellness division comprising of predominantly condoms and personal lubricants expanded by over 14% and remained the key product segment for the Group during FY 2018. Revenue from personal lubricants in particular increased by over 50% on a year-to-year basis, underlining the importance and potential of the product segment. The medical segment comprising of probe covers, catheters and test kits registered relatively stable revenue contributions.



Market Segments

Sales volumes to the Tender segment recovered by over 15% in spite of global HIV/AIDS budget reductions over the past few years. Whilst pricing remained competitive, we continued to successfully capture orders and position ourselves strategically to defend our position as the dominant player in the international Tender markets. We have also continued to build on our status as a preferred partner for many notable national healthcare providers and NGOs involved in the distribution of condoms in the USA, UK and Canada.



The Commercial segment remained the greatest contributor to our Group. Our competitive advantage in offering customers the largest product portfolio proved to be pivotal in capturing sales in this segment. Growth in the segment was driven by an increase in the value of orders from existing customers as well as the capture of new orders ranging from private label contracts to retail brands.

OBM sales growth far outpaced overall Group revenue growth to post an all-time high revenue contribution for the financial year. Although it is still very early into the Group's expansion into the segment, indications are very encouraging that there is greater value to be derived from this market segment moving forward.

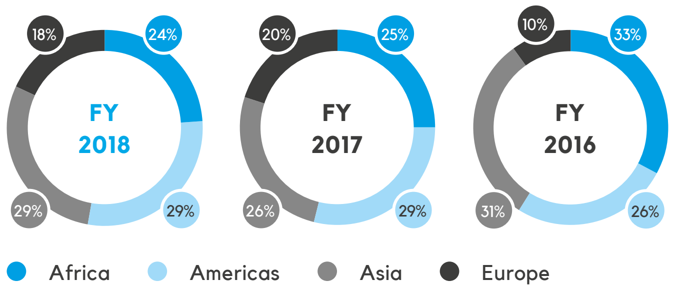
CEO's Management Discussion & Analysis

Geographical Location

Building on the sales model following the acquisition of Pasante Healthcare Limited in 2016, sales by geographical location remained evenly spread across the four major regions in the world reflecting a well-diversified customer base.

Record high sales were recorded to the Asia region highlighting the Group's continued success in the Commercial segment with many of the Group's most innovative products continuing to garner high demand in the region.

The Group's sustained expansion in the Americas region also reflects the development of our OBM presence with the USA remaining the primary market for our premium brands. Sales in the South American sub-region was also extremely encouraging, driven predominantly by the Tender business in the region.



Outlook

Notwithstanding the uncertainty in the global macro-environment, we continue to strive to evolve into a company that is better able to service our customers and deliver our shareholders greater value. Whilst making improvements on our manufacturing efficiencies remains a priority, we remain cognisant that majority of the value in the industry relies on providing innovative solutions that encourage consumers to use condoms.

Headlining global efforts to end AIDS as a public health threat, the Joint United Nations Programme on HIV/AIDS ("UNAIDS") and the United Nations Population Fund ("UNFPA") launched a new road map to reduce new HIV infections during the year. One of the key Global Prevention Targets and Commitments highlighted is to ensure that 20 billion condoms per year are made available in low- and middle-income countries by 2020 underlining the important role that condoms will continue to play in the fight against AIDS for years to come.

Over the course of the last few years, the consumer goods industry has experienced unprecedented levels of disruption, driven by the accelerating pace of technology and shifts in consumer behavior. Manufacturers and retailers have been forced to reinvent how they reach, serve and – ultimately – delight consumers in markets that are more dynamic than ever before.

Today, as our customers demand increasingly innovative products and packaging, our economies of scale and extensive portfolio of products leaves us well positioned to capture a larger share of value in the industry moving forward.

In aggregate, it makes it an extremely exciting time to be in the sexual wellness industry. Whilst change on this scale brings challenges, in my view, there are many more opportunities especially for companies that are able to respond with the kind of speed and agility that today's environment demands.

Acknowledgements

Finally, on behalf of my team, I would like to express sincere appreciation to the Board of Directors for their stewardship during the year and of course our shareholders for your continued support.

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 2017 to 30 June 2018 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 business strategies and decisions, 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.

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. 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.

- 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

- 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

- 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
Customers Brand owners, governments, non-governmental organisations and retail purchasers around the world	• Campaigns • Customer service • Online forums • Customer surveys • Social networks
Investors and Media Institutional and retail investors, analysts, fund managers and potential investors	• Annual general meetings • Quarterly results briefings • Conferences and roadshows • Site visits • One-to-one meetings and conference calls • Corporate website • Press releases
Employees Our employees based in Malaysia, Thailand, USA and UK	• Online newsletters and emails • Employee surveys • Virtual meetings and conference calls • Team building events • Annual performance appraisals
Government Agencies Regulators, health authorities and international medical device standard agencies	• Social and compliance audits • Industry and regulatory conferences • Meetings and briefings • Trade conventions • Charity events • Local council meetings
Vendors and Suppliers Contractors that provide services and products pertaining to the entire manufacturing process chain	• Transactional dealings • Training conferences and workshops • Outreach programmes • Annual dinners and company sponsored events • Supplier surveys
Community Local communities where we operate and conduct our businesses	• Charity functions • Sporting events • Dialogue and knowledge exchange events • 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 FY 2018. We utilised a step-by-step approach to identify a list of the most material matters:

STEP 1

IDENTIFICATION

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:

- Changing global and regional macroeconomic trends
- The expected developments of the sexual wellness industry and rubber products industry
- International standards and regulatory changes
- Stakeholder expectations and requirements
- Our strategies and internal policies

STEP 2

PRIORITISATION AND ENGAGEMENT

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.

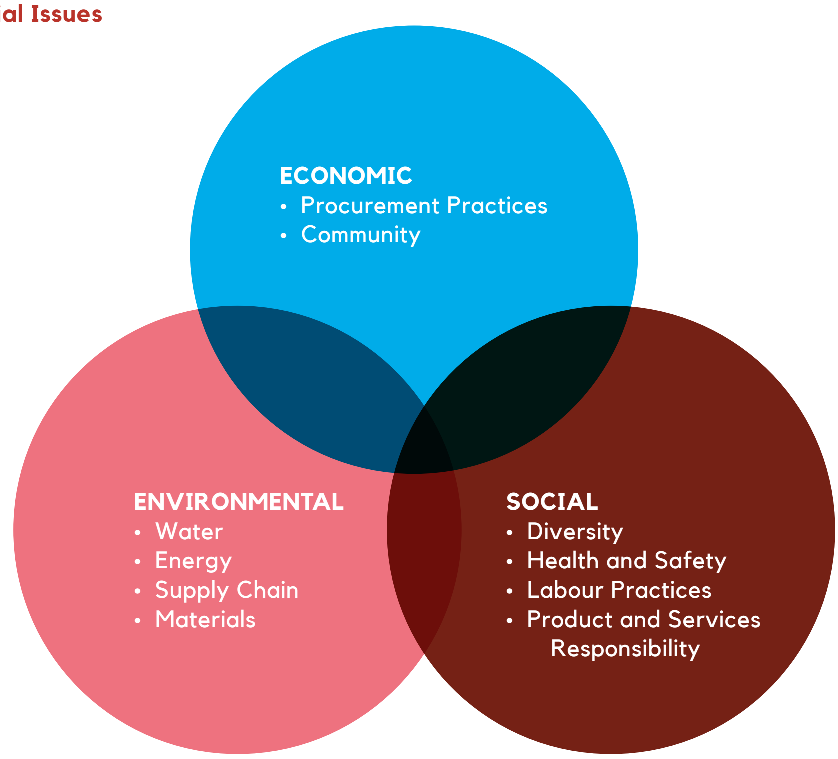
STEP 3

REVIEW AND REFINE

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.

The final materiality matrix was presented and endorsed by our Risk Management Working Committee.

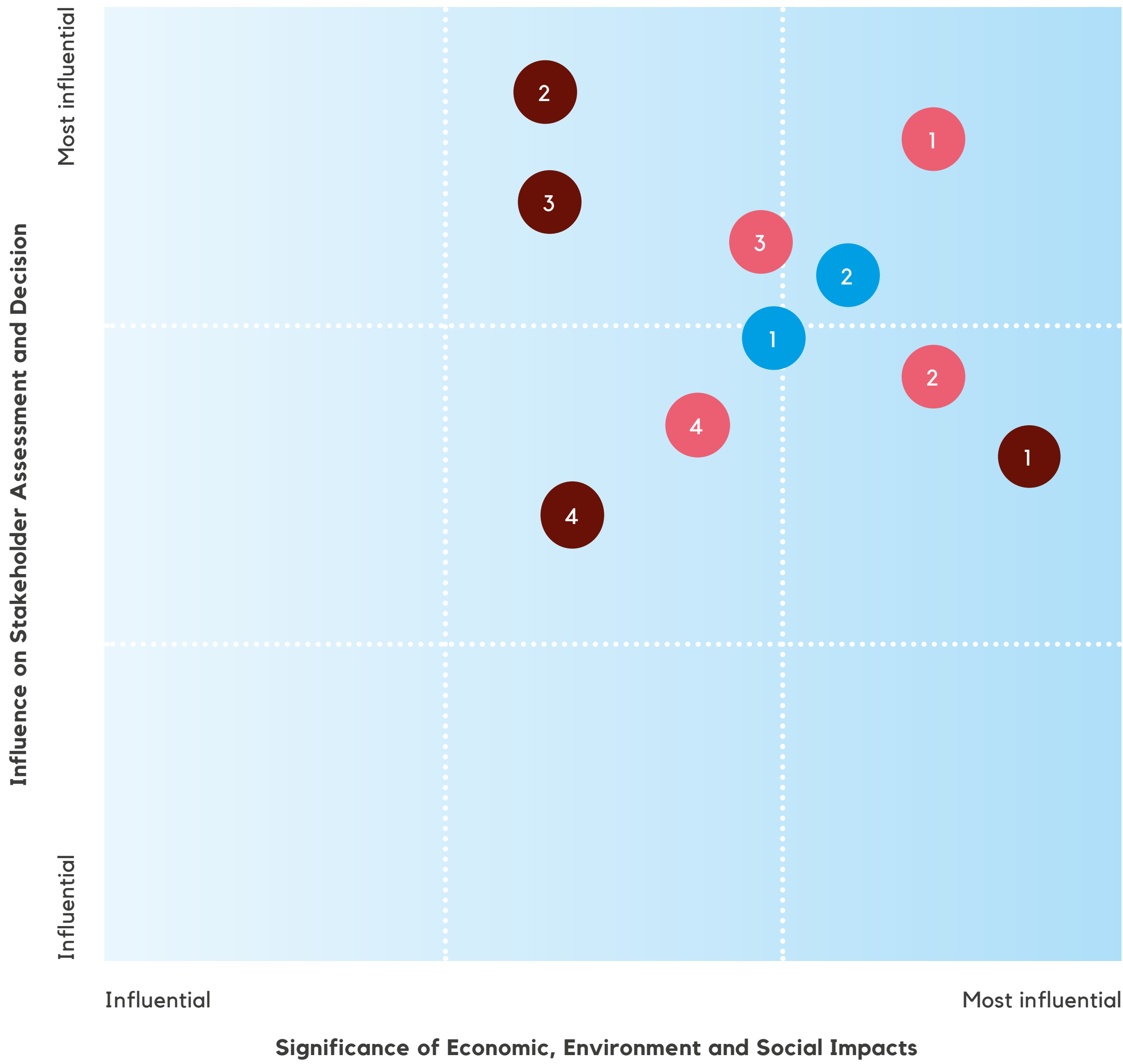
Assessment of Material Issues



Sustainability Statement

Materiality Matrix

In line with Bursa Malaysia's Sustainability Reporting Guidelines, 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.



Economic
1. Procurement Practices
2. Community

Environmental
1. Water
2. Energy
3. Supply Chain
4. Materials

Social
1. Diversity
2. Health and Safety
3. Labour Practices
4. Product and Services Responsibility

Sustainability Statement

Mapping Initiatives Against Top Material Issues

ECONOMIC

In our pursuit to expand our business and deliver shareholders more value, we have been mindful to maintain a sense of financial responsibility. We recognise that it is imperative that we grow with all our stakeholders including the suppliers that we work with, the customers that we service and the communities that we operate in.

1. Community

Condom Standards

We believe that improving the standards of quality as well as the affordability of condoms ultimately serves both our business as well as the populations that are most effected by sexual health issues. Various members of our Risk Management Working Committee continue to remain active contributors on the technical committees of international standard bodies as well as governmental and non-governmental councils that seek to create jobs and improve quality standards within the sexual wellness industry.

Education

The global fight against HIV/AIDS will ultimately be won by improving sexual health education and de-stigmatising condom usage in key demographics especially among the younger generation. To this end, we have during the year continued to explore new and innovative avenues to engage younger users to encourage conversations about sexual health.

In the USA, we continued our years-long partnership with LIFEbeat: Music Fights HIV. Working with artists like Wiz Khalifa, Against Me, Sylvan Esso, alt-J, Matt + Kim and A$AP Ferg, we visited dozens of cities over hundreds of performances to distribute condoms and educate concertgoers about sexual health.

For National Condom Day this year, the New York City Department of Health and ONE® unveiled the ArtCondomNYC campaign. The campaign was held in conjunction with various artists to create condom wrapper designs for our brand and in the process make condoms more approachable amongst the urban youth population.

Local Communities

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

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

RAISED FUNDS
TO SET UP AND EQUIP A NEW PKKUM CENTRE

DONATED IN EXCESS OF
1.5
MILLION CONDOMS DURING FY 2018

Donations

Through various programmes during the year, we have continued to improve access to condoms and personal lubricants having donated in excess of 1.5 million condoms during FY 2018. Notable campaigns and organisations that have been involved with our distribution efforts during the year include the CONDOMIZE campaign run by the United Nations Population Fund, PT Foundation (Malaysia), Phuket Loves You Club (Thailand), as well as various high schools, LGBTQ centers, reproductive health organisations in the USA.

As part of the ONE® Canada Design Contest in celebration of Canada's 150th Anniversary, ONE® donated 150,000 condoms to various Canadian organisations dedicated to promoting sexual health education and outreach. These included Healing Our Nations, Halifax Sexual Health Centre, and AIDS Saskatoon.

In conjunction with World AIDS Day, we hosted the third installment of our charity art auction entitled "Art Against AIDS" in Kuala Lumpur Malaysia. This year's event once again brought local art students together with professional artists to raise awareness for HIV/AIDS. Beneficiaries this year included various welfare organisations such as the PT Foundation, PKKUM and the Malaysian AIDS Council.

Sustainability Statement

ENVIRONMENTAL

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

1. Water

Consistent accessibility to clean water continues to be a critical element in being able to improve condom quality standards in our business. We recognise that we must all play our part in conserving this precious commodity from an economical as well as environmental perspective. We have continued to invest in improving the efficiency of our facilities to manage our water resources more optimally.

Our factories are equipped with water treatment facilities that are able to recycle the water from the initial dipping process of condom production to be used in other areas of our manufacturing process such as cooling via in-house irrigation systems or heat exchangers as well as for cleaning purposes. Our Thailand facility in particular boasts a state-of-the-art water treatment plant that is able to recycle over 50% of the water waste from the manufacturing process.

We have also installed rainwater harvesting systems to collect rainwater especially during periods of heavy rainfall to reduce consumption of water from commercial sources. We also conduct periodic checks on water mains, tanks and pumps so that any potential leakage is detected in order to reduce wastage.

2. Energy

Core to our environmental sustainability efforts, we recognise that optimal energy management is critical to drive long-term savings from reducing utility costs as well as reducing our impact on the environment. We have once again this year continued to explore methods to optimise energy utilisation across our manufacturing facilities as well as our corporate offices.

Energy conservation drives in our corporate offices have encouraged staff to minimise printing paper whenever possible, to switch lights and air-conditioning off when not in use, to take stairs instead of the lifts and to recycle paper. Efforts in our manufacturing facilities include the installation of solar panels as well as utilising natural light and eco-friendly light bulbs. We are confident that as our collective efforts remain focused on reducing our energy usage, we will instil a sense of environmental consciousness in our working culture.

ALL MANUFACTURING FACILITIES ACCREDITED WITH ISO 14001:2015 CERTIFICATION

STATE-OF-THE-ART WATER TREATMENT PLANT ABLE TO RECYCLE OVER 50% OF THE WATER WASTE

As a testament to our continued efforts towards improving resource efficiency, reducing waste and ultimately driving down costs, all of our manufacturing facilities continue to maintain the ISO 14001:2015 Environmental Management System certification. This standard ensures that each subsidiary is able to have in place an effective environmental management system.

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

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

SOCIAL

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

1. Diversity

The condom industry has been characterised in recent years by the rapid changes in consumer preferences. The users of the product have ultimately played a huge role in dictating what condom manufacturers produce, forcing the industry to evolve at an alarming pace.

As such, we remain committed to cultivating a culture that embraces the diversity of our employees, not just to inspire them to be the best they can be, but to constantly keep abreast of the trends that will ultimately define the next generation of condoms.

Some of the initiatives that we have put in place to achieve our goals include a merit-based hiring process, the provision of gender-neutral toilets and incorporating a no-tolerance policy towards discrimination in our workplaces.

We aim to provide equal opportunities to our staff regardless of their age, ethnicity, race, gender, sexual orientation or beliefs and backgrounds. We continue to place value in equality, meritocracy and inclusion above all else.

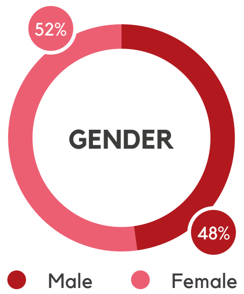
2. Health and Safety

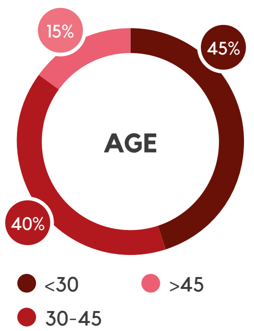
We have continued to improve on our health and safety practices to ensure our employees are able to have confidence and comfort in their working environment at all times. We have adopted a proactive approach towards mitigating potential hazards and risks whilst ensuring that we comply with all of the relevant health and safety regulations across our manufacturing facilities.

We constantly educate new staff and conduct refresher training for our operators to emphasise the importance of accident prevention measures as well as risk mediation in our operations. We constantly evaluate our safety programmes covering a range of procedures including but not limited to emergency response, first-aid, evacuation, fire-fighting and crime prevention.

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

This Sustainability Statement is made in accordance with the resolution of the Board dated 8 October 2018.





* *UK and USA staff data not included to comply with equal employment opportunity regulations in the respective regions*

Board of Directors

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

Profile of Board of Directors

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

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

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

Tan Sri Dato' Seri Utama Arshad is Pro Chancellor of Universiti Teknologi MARA ("UiTM"), Chancellor of KPJ Healthcare University College ("KPJUC"), Chancellor of INTI International University ("INTI IU") and was formerly Chairman of the board of directors of University Malaya.

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

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

He has attended all the Board Meetings held during the financial year ended 30 June 2018. 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 2018.

The particulars of his shareholdings are set out on page 126 of this Annual Report.

Profile of Board of Directors

Tan Sri Dato' Seri Utama Arshad Bin Ayub

CHAIRMAN/INDEPENDENT NON-EXECUTIVE DIRECTOR

Nationality: Malaysian

Gender: Male **Age:** 90

Profile of Board of Directors

Dato' Dr. Ong Eng Long @ Ong Siew Chuan

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Nationality: Malaysian
Gender: Male **Age:** 74

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

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

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

Dato' Dr. Ong Eng Long has been the Technical Advisor for Kossan Rubber Industries Bhd. since July 2008. 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 currently the 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 2018. 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 2018.

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

The particulars of his shareholdings are set out on page 126 of this Annual Report.

Goh Leng Kian

EXECUTIVE DIRECTOR, TECHNICAL AND R&D

Nationality: Malaysian
Gender: Male **Age:** 63

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

Goh Leng Kian's experience includes the establishment of the condom and catheter manufacturing plants, exposing him to a wide spectrum of roles including the supervision and management for the detail design, construction, installation, commissioning and testing of all related equipments, systems as well as the facilities of the projects.

Goh Leng Kian's career started in 1980 with Ban Seng Hong Sdn. Bhd. as a Mechanical Engineer, where he is in charge of the engineering unit for the company's rubber processing facilities. He joined our Group in 1988. He is currently responsible for overseeing our Group's manufacturing facilities, including production and technical matters. This includes the construction and development of our condom dipping lines, 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 2018. Goh Yen Yen and Lam Jiuan Jiuan are his siblings. He has no conflict of interest with the Company and has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2018.

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

The particulars of his shareholdings are set out on page 126 of this Annual Report.

Profile of Board of Directors

Goh Yen Yen

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Nationality: Malaysian
Gender: Female **Age:** 75

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 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 4 out of 5 Board Meetings held during the financial year ended 30 June 2018. Goh Leng Kian and Lam Jiuan Jiuan are her siblings. She has no conflict of interest with the Company and has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on her by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2018.

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

The particulars of her shareholdings are set out on page 126 of this Annual Report.

Lam Jiuan Jiuan

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Nationality: Australian
Gender: Female **Age:** 66

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

Lam Jiuan Jiuan started out in 1976, where she joined the Commercial Banking Company of Sydney, as a management trainee, where she gained a wide spectrum of retail banking experience before moving on to join Tricontinental Australia Limited in 1978. In 1979, she moved to Hong Kong and joined Toronto Dominion Bank in its Asia and Australasia Division, responsible for credit approvals of banks/corporate and monitoring country limits. In 1986, she joined the Canadian Imperial Bank of Commerce for three (3) years as the Corporate Marketing Manager in charge of major public listed companies and as well as corporate company accounts. She joined Barclays Bank PLC in 1989 as a private banker and resigned in June 2015 as a Senior Banker in the bank's Wealth Investment Management Division. Subsequently, she worked in a private family office of one of the leading property developers in Hong Kong and had since retired in 2016. She has subsequently taken up a part time position in the Hong Kong Office of Zedra Group, a major independent trust, corporate and fund services group, as Private Clients Advisors.

She graduated with a Bachelor of Economics majoring in Accounting and Commercial Laws from the University of Sydney, Australia in 1976. She is also a Fellow of Certified Public Accountant, 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 2018. Goh Yen Yen and Goh Leng Kian are her siblings. 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 2018.

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

The particulars of her shareholdings are set out on page 126 of this Annual Report.

Profile of Board of Directors

Wong Yien Kim

INDEPENDENT NON-EXECUTIVE DIRECTOR

Nationality: Malaysian
Gender: Male **Age:** 64

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. 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 2018. 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 2018.

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

The particulars of his shareholdings are set out on page 126 of this Annual Report.

Profile of Board of Directors

Law Ngee Song

INDEPENDENT NON-EXECUTIVE DIRECTOR

Nationality: Malaysian
Gender: Male **Age:** 52

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

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

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

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

He has attended all the Board Meetings held during the financial year ended 30 June 2018. 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 2018.

The particulars of his shareholdings are set out on page 126 of this Annual Report.

CEO's Profile

Goh Miah Kiat

CHIEF EXECUTIVE OFFICER

Nationality: Malaysian

Gender: Male **Age:** 40

CEO's Profile

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

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

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

- Global Condom Standard, ISO 4074
- MS ISO 16037:2010 in association with SIRIM, Malaysia
- ISCR/TC 8 - Non Systematic Contraceptives and STI Barrier Prophylactics

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

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

He is the nephew of Goh Yen Yen, Goh Leng Kian and Lam Jiuan Jiuan, the Board members of the Company. He has no conflict of interest with the Company and has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2018.

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

The particulars of his shareholdings are set out on page 126 of this Annual Report.

Key Senior Management

From left to right: Goh Miah Kiat, Goh Chok Siang, Thirumal Senthilkumar, Wong Your Can, Leong Weng Hong

Profile of Key Senior Management

Thirumal Senthilkumar

CHIEF OPERATING OFFICER

Nationality: Indian
Gender: Male **Age:** 49

Thirumal Senthilkumar was appointed as our Chief Operating Officer in August 2015. He holds a Master of Science in Organic Chemistry from Annamalai University, India. He began his career with TTK-LIG Limited, Durex condom manufacturer in India and has since accumulated over 24 years of international condom manufacturing experience in the fields of latex formulation, production, technical, quality control, regulatory affairs and international marketing. Senthil has in-depth knowledge and experience in SPC, Six Sigma and LEAN Manufacturing practices. He is a technical expert in ISO TC / 157 representing Malaysia and active participant in developing national and international standard for mechanical contraceptives.

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

He does not have any family relationship with any Director and/or Major Shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2018.

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

Goh Chok Siang

CHIEF FINANCIAL OFFICER

Nationality: Malaysian
Gender: Male **Age:** 47

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 2018.

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

Nationality: Malaysian
Gender: Male **Age:** 46

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 2018.

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

Profile of Key Senior Management

Wong Your Can

CHIEF STRATEGY OFFICER

Nationality: Malaysian
Gender: Male **Age:** 41

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 2018.

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 2018 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 31 October 2018. 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 2018, 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.

Certain Board's authorities and discretion are delegated and conferred on the Executive Directors 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 Tan Sri Dato' Seri Utama Arshad bin Ayub, an Independent Non-Executive Director who provides strong leadership, instils and monitors good corporate governance practices, leadership and effectiveness of the Board.

The CEO, Goh Miah Kiat is responsible for the day-to-day running of the Group's operating units and overall 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 Director 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 judgement 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 clarifications from the Board.

Whistle Blower Policy

The Company has established a Whistle Blower 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@whistleblower.com.my or post to PO Box #911, L2-08, Level 2, Cheras Leisure Mall, Jalan Manis 6, Taman Segar, 56100 Kuala Lumpur. The Whistle Blower Policy is published on the Company's website.

Company Secretary

The Board is assisted by two (2) qualified and competent Company Secretaries, who are members of the 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.

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, the Annual Report, business plans, acquisition and expansion as well as to review the performance of the Company and its operating subsidiaries, governance matters and other business development matters.

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:

Directors	Meeting Attendance
Tan Sri Dato' Seri Utama Arshad bin Ayub *[Chairman/Independent Non-Executive Director]*	5/5
Dato' Dr. Ong Eng Long @ Ong Siew Chuan *[Senior Independent Non-Executive Director]*	5/5
Goh Leng Kian *[Executive Director]*	5/5
Goh Yen Yen *[Non-Independent Non-Executive Director*]*	4/5
Lam Jiuan Jiuan *[Non-Independent Non-Executive Director]*	5/5
Wong Yien Kim *[Independent Non-Executive Director]*	5/5
Law Ngee Song *[Independent Non-Executive Director]*	5/5

* Re-designated from Executive Director to Non-Independent Non-Executive Director on 31 August 2018

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:

Directors	Trainings Attended
Tan Sri Dato' Seri Utama Arshad bin Ayub *[Chairman/Independent Non-Executive Director]*	• Securities Commission – Business Leaders Roundtable meeting • Securities Commission – Focus Group Discussion on the Audit Committee's Experience with the enhanced Auditors report • Bursa Risk Management Programme – I am ready to manage risk • Bursa Malaysia – ESG Seminar for Good Bursa Malaysia Index • Khazanah Megatrends Forum • Bursa Advocacy Session to Enhance Quality of Management Discussion & Analysis • Independent Directors Program Bursa Saham Kuala Lumpur ("BSKL") • MIRA Conference BSKL • BSKL – Breakfast Sessions • Bank Negara Malaysia – Governors Address On The Malaysian Economy and Panel Discussion • Securities Commission – 30% Club Business Roundtable Conference
Dato' Dr. Ong Eng Long @ Ong Siew Chuan *[Senior Independent Non-Executive Director]*	• Royal Australian Chemical Institute Centenary Congress • The 34th Meeting of ISO/TC 157 on Non-Systemic Contraceptives and STI Barrier Prophylactics • The 65th meeting of ISO/TC 45 on Rubber and Rubber Products • International Conference on Pure and Applied Chemistry, Cambodia
Lam Jiuan Jiuan *[Non-Independent Non-Executive Director]*	• Credit Suisse Investment Outlook • Credit Suisse 21st Annual Asia Investment Conference
Wong Yien Kim *[Independent Non-Executive Director]*	• Bursa Risk Management Programme – I am ready to manage risk • Advocacy Session on Corporate Disclosure for Directors: Corporate Framework Director, Disclosure Obligation under the Listing Requirement
Law Ngee Song *[Independent Non-Executive Director]*	• The Fintech Legality • MCCG Reporting and CG Guide

Other Directors who did not attend any training during the financial year under review continued to stay abreast with industry developments and associated regulatory changes on their own initiative.

(II) Board Composition

The Board has seven (7) members comprising one (1) Independent Non-Executive Chairman, one (1) Senior Independent Non-Executive Director, two (2) Independent Non-Executive Directors, two (2) Non-Independent Non-Executive Directors, and one (1) Executive Director, 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.

The Board values independence greatly as it is important for ensuring objectivity and fairness in the 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 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 servicing a cumulative term of nine (9) years, the Board will provide justification for its decision and seek shareholders' approval. For the financial year under review, none of the current Independent Directors have served the Company for more than nine (9) years cumulatively.

The Board is satisfied with the level of independence demonstrated by the Independent Directors and their ability to act in the best interest of the Company and/or the Group.

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 two capable female directors sitting on the Board, accounting to 29% of the Board's composition. The Board embraces diversity in the boardroom 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, religion, 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 majority being the Independent Non-Executive Directors are as follows:

Chairman	:	Law Ngee Song
Members	:	Wong Yien Kim
		Lam Jiuan Jiuan

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

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 recommendation 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 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 AC and each of its members; and
- Reviewed and assessed the performance of the Senior Management.

(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	:	Tan Sri Dato' Seri Utama Arshad bin Ayub
Members	:	Law Ngee Song
		Goh Yen Yen

The TOR sets out the 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 own remuneration.

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

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.

Subject to shareholders' approval at the forthcoming AGM, the proposed Non-Executive Directors' fee for the financial year ended 30 June 2018 amounted to RM460,000 whilst their benefits, comprising of meeting allowances are proposed to be capped at RM50,000 for the period from 1 December 2018 to 30 November 2019.

Directors' Remuneration

The breakdown of the Directors' remuneration for the year ended 30 June 2018 are as follows:

Directors	Fees[1] RM	Salaries, Bonuses & Allowances[2] RM	Benefits[3] RM	EPF RM	Total RM
Tan Sri Dato' Seri Utama Arshad bin Ayub	120,000	6,000	-	-	**126,000**
Dato' Dr. Ong Eng Long @ Ong Siew Chuan	90,000	6,000	-	-	**96,000**
Wong Yien Kim	90,000	6,500	-	-	**96,500**
Law Ngee Song	80,000	7,500	-	-	**87,500**
Lam Jiuan Jiuan	80,000	4,500	-	-	**84,500**
Goh Leng Kian	-	632,000	14,000	106,930	**752,930**
Goh Yen Yen	-	348,500	13,325	58,650	**420,475**
Goh Siang[4]	-	289,000	18,937	48,960	**356,897**
	460,000	**1,300,000**	**46,262**	**214,540**	**2,020,802**

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 Retired on 27 November 2017

Senior Management's Remuneration

The remuneration of the top five Senior Management team of the Group for the financial year ended 30 June 2018 are as follows:

Range of Remuneration (RM)	Top Five Senior Management
501,000 to 550,000	2
551,000 to 600,000	2
751,000 to 800,000	1
Total	**5**

With the best interest of the Group in mind, and taking into consideration the sensitivity of Senior Management's remuneration package, privacy, security and issue of staff poaching, The Board has opted to disclose the remuneration of Senior Management in the band width of RM50,000 instead of on a named basis.

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 48 and 49 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 to 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.

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 a sound risk management and internal control system, and for reviewing its adequacy and integrity.

The Board has an established on-going process 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 process to ensure the internal control and risk management framework is adequate and effective. The present compositions of the RMC are:

Chairwoman	:	Lam Jiuan Jiuan
Members	:	Dato' Dr Ong Eng Long @ Ong Siew Chuan
		Law Ngee Song
		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 51 to 53 of this Annual Report.

Corporate Governance Overview Statement

The Internal Audit Function is carried out by an internal audit consulting firm. The internal audit function is headed by a Director who is assisted by a manager and supported by an audit executive. The Director in charge is a qualified accountant 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.

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 14 to 21 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 AGM to provide meaningful information and encourage shareholders' participation. During the general meeting, shareholders have the opportunity to enquire and comment on the Company's performance and operations. Same or similar information is also shared in the press conferences or press release, if held during the year.

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

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

All directors including the Chair of all the respective Board Committees attended the last AGM, where questions posed by shareholders were attended to.

All the resolutions set out in the Notice of the Fifth 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.

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

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board dated 8 October 2018.

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 2018 ("financial year"), 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, the amount of audit and non-audit fees paid by the Group and the Company to KPMG PLT and its affiliates are as follows:

	Group		Company	
Fees paid to external auditors and its affiliates	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Audit fees	390	387	85	85
Non-audit fees	5	6	5	6

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

There were no material contracts 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 2018.

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 2018 are as follows:

		Name of Directors	Attendance
Chairman	:	Wong Yien Kim *[Independent Non-Executive Director]*	5/5
Members	:	Tan Sri Dato' Seri Utama Arshad Bin Ayub *[Independent Non-Executive Director]*	5/5
		Dato' Dr Ong Eng Long @ Ong Siew Chuan *[Senior Independent Non-Executive Director]*	5/5
		Law Ngee Song *[Independent Non-Executive Director]*	5/5

The AC Chairman, Wong Yien Kim, is a fellow member of the Malaysian Institute of Accountants and the Institute of Chartered Accountants England and Wales. Accordingly, the Company complies with Paragraph 15.09(1)(c)(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 24 to 31 of this Annual Report.

Terms of Reference

The Terms of Reference of AC is 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 terms of reference were updated in accordance with the latest 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.

Summary of Work

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

<u>Ensuring Financial Statements Comply with Applicable Financial Reporting Standards:</u>

(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 Company's unaudited quarterly financial reporting and disclosures present a true and fair view of the Group's financial position and performance and are in compliance with the approved Malaysian Financial Reporting Standard and disclosure provision of the MMLR;

(b) Reviewed the audited financial statements for the financial year ended 30 June 2017 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.

<u>Reviewing the Audit Findings of the External Auditors and Assessing their Performance Suitability and Independence:</u>

(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);

(c) Reviewed the effectiveness and efficiency of the internal controls system in place and the risk factors affecting the Company 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 is outsourced to IA Essential Sdn Bhd, an independent internal audit professional service firm which reports directly to the AC. The outsourced Internal Auditors assist the Board via 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 audits focus 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. New internal audit plans will be proposed and presented to the AC when appropriate for deliberation and approval before internal audit reviews are carried out.

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 compliance procedures of Quality Control and Assurance;

(ii) Evaluated management compliance, database security and documentation procedures relating to the Group's Research and Development department;

(iii) Reviewed the control procedures on environment, health and safety;

(iv) Appraised the Human Resource function focusing on resource planning and performance management; and

(v) Conducted follow-up audits in every quarter 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 2018 was RM90,000.

This report is made in accordance with the resolution of the Board dated 8 October 2018.

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 2018, 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 on 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 or 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 2018. This Statement is prepared pursuant to paragraph 15.26(b) of the Main Market Listing Requirements and is guided by the "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers" ("the Guideline") endorsed by Bursa Malaysia Securities Berhad ("Bursa Securities").

Board's Responsibility

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 on 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 Karex'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	:	Lam Jiuan Jiuan *[Non-Independent Non-Executive Director]*
Members	:	Dato' Dr. Ong Eng Long @ Ong Siew Chuan *[Senior Independent Non-Executive Director]*
		Law Ngee Song *[Independent Non-Executive Director]*
		Goh Miah Kiat *[Chief Executive Officer]*
		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.

Throughout the financial year in review, one (1) meeting was conducted by the RMC, which revolved around the analysis of emerging 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	Appointment of an accomplished IT head to further enhance the Group's cyber security system and disaster recovery processes
Labour Dependency	Continuous automation of production processes to address labour dependency and minimum wage challenges
Management Succession	Implementation of talent management strategies to attract, groom and retain employees
Supply Chain	Diversification of suppliers to maximise speed and efficiency in order to be more competitive in the industry
Foreign Exchange Risk	Monitoring of foreign exchange, and mitigation of its risk through bank facilities

Statement on Risk Management and Internal Control

Further to the matters listed above, the RMC has also identified a need to increase awareness amongst stakeholders regarding the Group's risk management framework in place, and ultimately to improve their understanding in this matter in the future.

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 the ISO 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;
- Budgets and financial performance are 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 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 Audit Committee 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 Audit Committee 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 Audit Committee 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 the assistance from both internal and external parties.

In addition, Management supplements the Audit Committee 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.

The Board has also defined the Code of Ethics for the Group and established a whistle blowing channel for reporting of violations against this code. 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.

Statement on Risk Management and Internal Control

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 operation efficiency and effectiveness.

The Board is in the view that the risk management and internal control systems in place for the year under review are up to the date, 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 the evolving business development, it should be noted that the risk management systems and systems of internal control cannot fully eliminate all risks of failure to achieve business objectives. Therefore, these systems of internal control and risk management in the Group are only able to provide reasonable but not absolute assurance against material misstatements, frauds and losses.

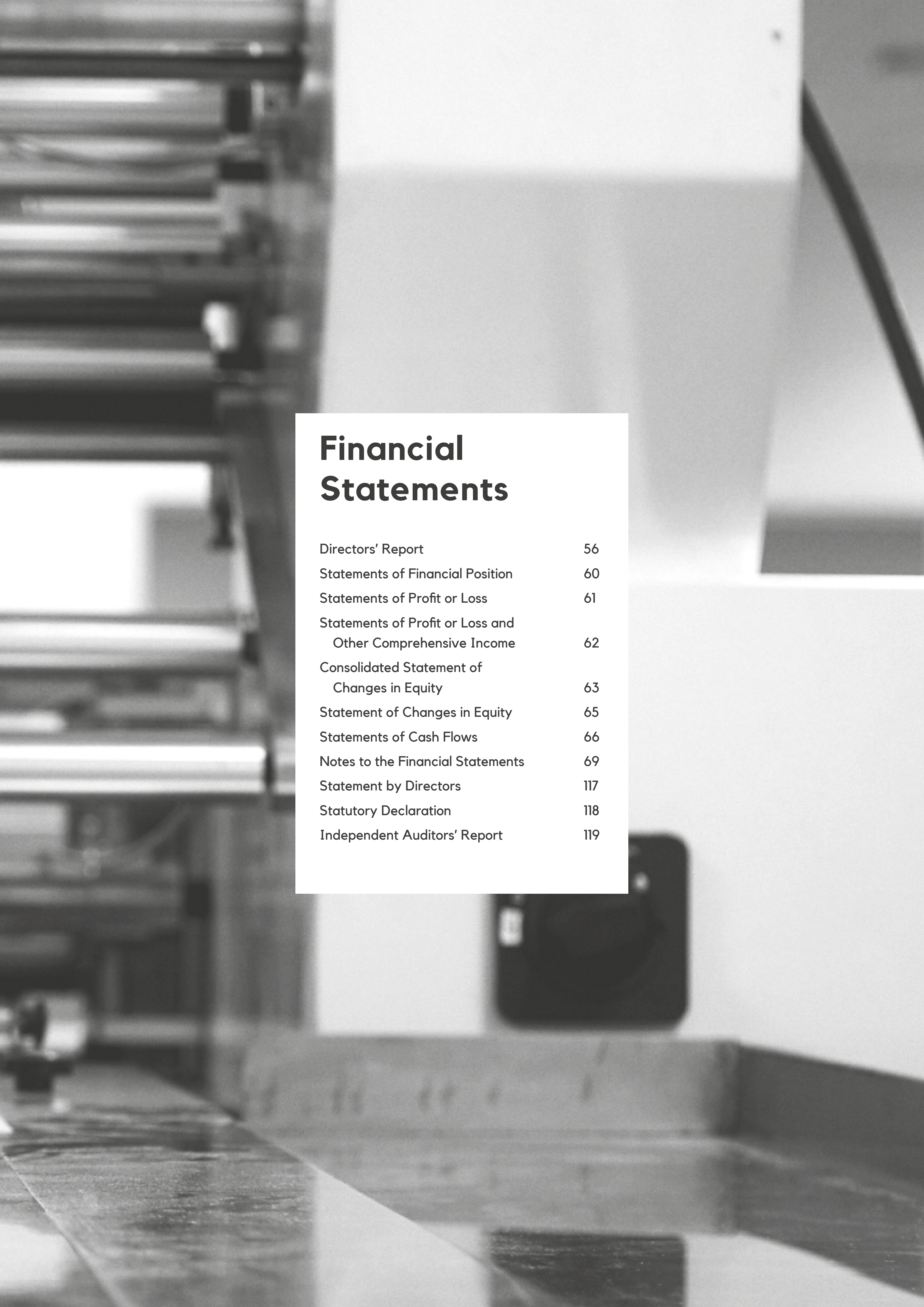
Review of Statement on Risk Management and Internal Control by External Auditors

The External Auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in 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 2018, 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.



Financial Statements

Directors' Report

For the year ended 30 June 2018

The Directors have pleasure in presenting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2018.

Principal activities

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

Subsidiaries

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

Results

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	10,103	1,646
Non-controlling interests	85	-
	10,188	1,646

Reserves and provisions

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

Dividends

Since the end of the previous financial year, the Company declared a final dividend of 1.0 sen per ordinary share totalling RM10,023,750 in respect of the financial year ended 30 June 2017 on 27 November 2017 and paid on 18 December 2017.

The Directors proposed a final dividend of 0.5 sen per ordinary share totalling RM5,011,875 subject to the approval of the shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this proposed final dividend, which will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 30 June 2019.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Tan Sri Dato' Seri Utama Arshad bin Ayub
Dato' Dr. Ong Eng Long @ Ong Siew Chuan
Mr. Goh Leng Kian
Ms. Goh Yen Yen
Ms. Lam Jiuan Jiuan
Mr. Wong Yien Kim
Mr. Law Ngee Song
Mr. Goh Siang (retired on 27 November 2017)

The names of the Directors of subsidiaries are set out in the respective subsidiaries' financial statements and the said information is deemed incorporated herein by such reference and made a part hereof.

Directors' Report

For the year ended 30 June 2018

Directors' and Chief Executive Officer's interests in shares

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

		Number of ordinary shares			
Name of Directors and CEO	**Interest**	**At 1 July 2017**	**Bought**	**Sold**	**At 30 June 2018**
Company					
Directors of the Company					
Tan Sri Dato' Seri Utama	Direct	2,300,000	8,260,000	-	10,560,000
Arshad bin Ayub	Deemed(1)	900,000	1,900,000	-	2,800,000
Dato' Dr. Ong Eng Long @ Ong Siew Chuan	Direct	320,000	100,000	-	420,000
Mr. Goh Leng Kian	Direct	36,468,865	-	-	36,468,865
	Deemed(2)	322,437,500	-	-	322,437,500
	Deemed(3)	573,750	-	-	573,750
Ms. Goh Yen Yen	Direct	25,499,956	-	-	25,499,956
	Deemed(2)	322,437,500	-	-	322,437,500
Ms. Lam Jiuan Jiuan	Direct	19,087,456	-	-	19,087,456
	Deemed(3)	64,312,456	-	-	64,312,456
	Deemed(4)	335,262,500	-	-	335,262,500
Mr. Law Ngee Song	Direct	258,750	-	-	258,750
CEO of the Company					
Mr. Goh Miah Kiat	Direct	25,500,097	1,185,000	-	26,685,097
	Deemed(2)	322,437,500	-	-	322,437,500

(1) Deemed interested by virtue of his equity interest in Zalaraz Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.
(2) Deemed interested by virtue of his/her equity interest in Karex One Limited pursuant to Section 8 of the Companies Act 2016.
(3) Deemed interested by virtue of his/her equity interest held by his/her spouse pursuant to Section 59 (11)(c) of the Companies Act 2016.
(4) Deemed interested by virtue of her equity interest in AJNA Holdings Limited and Karex One Limited pursuant to Section 8 of the Companies Act 2016.

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

The other Director holding office at 30 June 2018 does not have any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' Report

For the year ended 30 June 2018

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than certain Directors who have significant financial interest in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 24 to the financial statements.

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

Issue of shares and debentures

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

There were no debentures issued during the financial year.

Options granted over unissued shares

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

Indemnity and insurance costs

During the financial year, the total amount of premium paid for insurance effected for Directors and officers of the Group and of the Company was RM29,000 for a total sum insured of RM10 million.

There were no indemnity given to, or insurance effected for auditors of the Company during the financial year.

Qualification of subsidiaries' financial statements

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

Other statutory information

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

(i) all known bad debts have been written off and adequate provision has been made for doubtful debts, and

(ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

(i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

(iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

Other statutory information (continued)

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

(i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

(ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 June 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

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

The auditors' remuneration is disclosed in Note 15 to the financial statements.

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

Wong Yien Kim
Director

Goh Leng Kian
Director

Kuala Lumpur

Date: 8 October 2018

Statements of Financial Position

As at 30 June 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Assets					
Property, plant and equipment	3	210,643	201,730	-	-
Investments in subsidiaries	4	-	-	279,865	267,232
Intangible assets	5	95,221	96,940	-	-
Deferred tax assets	6	841	271	-	-
Total non-current assets		306,705	298,941	279,865	267,232
Inventories	7	122,277	100,982	-	-
Trade and other receivables	8	98,289	100,441	52,015	48,793
Derivative financial assets	9	-	347	-	-
Tax recoverable		8,980	7,986	-	-
Cash and cash equivalents	10	48,222	85,084	29,710	55,293
Total current assets		277,768	294,840	81,725	104,086
Total assets		584,473	593,781	361,590	371,318
Equity					
Share capital	11	281,980	281,980	281,980	281,980
Reserves	11	201,366	214,664	76,301	84,679
Equity attributable to owners of the Company		483,346	496,644	358,281	366,659
Non-controlling interest		1,030	1,499	-	-
Total equity		484,376	498,143	358,281	366,659
Liabilities					
Loans and borrowings	12	10,573	11,208	1,938	3,263
Deferred tax liabilities	6	8,275	8,629	-	-
Total non-current liabilities		18,848	19,837	1,938	3,263
Trade and other payables	13	61,053	64,494	130	23
Loans and borrowings	12	17,258	10,230	1,131	1,202
Derivative financial liabilities	9	1,541	-	-	-
Taxation		1,397	1,077	110	171
Total current liabilities		81,249	75,801	1,371	1,396
Total liabilities		100,097	95,638	3,309	4,659
Total equity and liabilities		584,473	593,781	361,590	371,318

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

Statements of Profit or Loss

For the year ended 30 June 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue					
Goods sold		408,014	361,452	-	-
Cost of goods sold		(300,882)	(250,258)	-	-
Gross profit		107,132	111,194	-	-
Other income		951	2,821	22	381
Distribution expenses		(46,050)	(34,779)	-	-
Administrative expenses		(44,926)	(38,876)	(1,552)	(1,442)
Other expenses		(3,058)	(4,858)	(117)	-
Results from operating activities		14,049	35,502	(1,647)	(1,061)
Finance income		1,480	2,737	3,941	5,697
Finance costs		(1,251)	(1,190)	(137)	(145)
Net finance income		229	1,547	3,804	5,552
Profit before tax		14,278	37,049	2,157	4,491
Tax expense	14	(4,090)	(8,243)	(511)	(546)
Profit for the year	15	10,188	28,806	1,646	3,945
Profit attributable to:					
Owners of the Company		10,103	27,946	1,646	3,945
Non-controlling interest		85	860	-	-
Profit for the year		10,188	28,806	1,646	3,945
Basic and diluted earnings per ordinary share (sen)	16	1.01	2.79		

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

Statements of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit for the year	10,188	28,806	1,646	3,945
Other comprehensive (expense)/income, net of tax				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	(6,362)	9,713	-	-
Total comprehensive income for the year	3,826	38,519	1,646	3,945
Total comprehensive income attributable to:				
Owners of the Company	3,861	37,625	1,646	3,945
Non-controlling interest	(35)	894	-	-
Total comprehensive income for the year	3,826	38,519	1,646	3,945

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

		Attributable to owners of the Company								
		Non-distributable					Distributable			
	Note	Share capital RM'000	Share premium RM'000	Merger reserve RM'000	Translation reserve RM'000	Other reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
Group										
At 1 July 2016		250,594	31,386	63,511	216	718	132,642	479,067	605	479,672
Foreign currency translation differences for foreign operations/ **Total other comprehensive income for the year**		-	-	-	9,679	-	-	9,679	34	9,713
Profit for the year		-	-	-	-	-	27,946	27,946	860	28,806
Total comprehensive income for the year		-	-	-	9,679	-	27,946	37,625	894	38,519
Contributions by and distributions to owners of the Company										
Dividends to owners of the Company/ **Total transactions with owners of the Company**	17	-	-	-	-	-	(20,048)	(20,048)	-	(20,048)
Transfer in accordance with Section 618(2) of the Companies Act 2016		31,386	(31,386)	-	-	-	-	-	-	-
At 30 June 2017		281,980	-	63,511	9,895	718	140,540	496,644	1,499	498,143
		Note 11	Note 11	Note 11	Note 11	Note 11	Note 11			

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Note	Share capital RM'000	Share premium RM'000	Merger reserve RM'000	Translation reserve RM'000	Other reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
		← Attributable to owners of the Company →								
		← Non-distributable →					Distributable			
Group										
At 1 July 2017		281,980	-	63,511	9,895	718	140,540	496,644	1,499	498,143
Foreign currency translation differences for foreign operations/ **Total other comprehensive income for the year**		-	-	-	(6,242)	-	-	(6,242)	(120)	(6,362)
Profit for the year		-	-	-	-	-	10,103	10,103	85	10,188
Total comprehensive (expense)/income for the year		-	-	-	(6,242)	-	10,103	3,861	(35)	3,826
Contributions by and distributions to owners of the Company										
Dividends to owners of the Company/ **Total transactions with owners of the Company**	17	-	-	-	-	-	(10,024)	(10,024)	-	(10,024)
Change in ownership interest in a subsidiary	26	-	-	-	-	-	(7,135)	(7,135)	(434)	(7,569)
At 30 June 2018		281,980	-	63,511	3,653	718	133,484	483,346	1,030	484,376
		Note 11	Note 11	Note 11	Note 11	Note 11	Note 11			

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

Statement of Changes in Equity

For the year ended 30 June 2018

	Note	Share capital RM'000	Share premium RM'000	Merger reserve RM'000	Retained earnings RM'000	Total equity RM'000
		Attributable to owners of the Company				
		Non-distributable			Distributable	
Company						
At 1 July 2016		250,594	31,386	63,511	37,271	382,762
Profit and total comprehensive income for the year		-	-	-	3,945	3,945
Contributions by and distributions to owners of the Company						
Dividends to owners of the Company/**Total transactions with owners of the Company**	17	-	-	-	(20,048)	(20,048)
Transfer in accordance with Section 618(2) of the Companies Act 2016		31,386	(31,386)	-	-	-
At 30 June 2017/1 July 2017		281,980	-	63,511	21,168	366,659
Profit and total comprehensive income for the year		-	-	-	1,646	1,646
Contributions by and distributions to owners of the Company						
Dividends to owners of the Company/**Total transactions with owners of the Company**	17	-	-	-	(10,024)	(10,024)
At 30 June 2018		281,980	-	63,511	12,790	358,281
		Note 11	Note 11	Note 11	Note 11	

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

Statements of Cash Flows

For the year ended 30 June 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from operating activities					
Profit before tax		14,278	37,049	2,157	4,491
Adjustments for:					
Depreciation and amortisation		14,015	11,538	-	-
Fair value loss/(gain) on derivative instruments		1,541	(347)	-	-
Finance costs		1,251	1,190	137	145
Finance income		(1,480)	(2,737)	(3,941)	(5,697)
Impairment loss on trade receivables		330	538	-	-
Inventories:					
- Allowance for slow moving		2,892	266	-	-
- Written off		335	707	-	-
- Written down to net realisable value		325	302	-	-
Property, plant and equipment:					
- Loss/(Gain) on disposal		153	(3)	-	-
- Written off		208	72	-	-
Unrealised gain on foreign exchange		(373)	(570)	(22)	(265)
Operating profit/(loss) before changes in working capital		33,475	48,005	(1,669)	(1,326)
Changes in inventories		(24,847)	(32,261)	-	-
Changes in trade and other receivables		1,869	3,638	(3,200)	(2,355)
Changes in trade and other payables		(1,516)	8,472	107	(47)
Cash generated from/(used in) operations		8,981	27,854	(4,762)	(3,728)
Tax paid		(5,688)	(13,199)	(572)	(507)
Net cash from/(used in) operating activities		3,293	14,655	(5,334)	(4,235)

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

Statements of Cash Flows

For the year ended 30 June 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash flows from investing activities					
Acquisition of:					
- intangible assets	5	(277)	(35,488)	-	-
- property, plant and equipment	18	(28,200)	(19,935)	-	-
- subsidiaries, net cash and cash equivalents acquired	25	-	4,120	-	-
- non-controlling interest	26	(7,569)	-	-	-
Increase in investment in subsidiaries		-	-	(12,633)	(34,500)
Investments in subsidiaries		-	-	-	(3,188)
Proceeds from disposal of property, plant and equipment		74	74	-	-
Interest received		1,480	2,737	3,941	5,697
Net cash used in investing activities		(34,492)	(48,492)	(8,692)	(31,991)
Cash flows from financing activities					
Interest paid		(1,297)	(1,333)	(137)	(145)
Change in pledged deposits		(353)	232	-	-
Dividends paid to owners of the Company	17	(10,024)	(20,048)	(10,024)	(20,048)
Repayments of:					
- finance lease liabilities		(698)	(1,062)	-	-
- term loans		(7,173)	(4,522)	(1,396)	-
Drawdown of:					
- bankers' acceptance		3,808	748	-	-
- export financing		2,161	-	-	-
- revolving credit		2,019	-	-	-
- term loans		4,562	-	-	-
- trust receipt		414	-	-	-
Net cash used in financing activities		(6,581)	(25,985)	(11,557)	(20,193)
Effect of exchange rate fluctuations on cash held		(265)	883	-	-
Net decrease in cash and cash equivalents		(38,045)	(58,939)	(25,583)	(56,419)
Cash and cash equivalents at 1 July		84,379	143,318	55,293	111,712
Cash and cash equivalents at 30 June		46,334	84,379	29,710	55,293

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

Statements of Cash Flows

For the year ended 30 June 2018

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Deposits with licensed banks	1,058	705	-	-
Deposits with other corporation	28,621	48,785	28,621	47,452
	29,679	49,490	28,621	47,452
Less: Pledged deposits	(1,058)	(705)	-	-
Bank overdraft	(830)	-	-	-
	27,791	48,785	28,621	47,452
Cash and bank balances	18,543	35,594	1,089	7,841
	46,334	84,379	29,710	55,293

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

Notes to the Financial Statements

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

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

Registered office
10th Floor, Menara Hap Seng
No. 1 & 3, Jalan P. Ramlee
50250 Kuala Lumpur
Malaysia

The consolidated financial statements of the Company as at and for the year ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 30 June 2018 do not include other entities.

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

These financial statements were authorised for issue by the Board of Directors on 8 October 2018.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

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

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*

Notes to the Financial Statements

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

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

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

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

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations in the respective financial years when the above standards, amendments and interpretations become effective.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company except as mentioned below:

(i) MFRS 15, *Revenue from Contracts with Customers*

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

Currently, the Group recognises revenue from contracts with customers upon the transfer of risks and rewards of ownership to the customers. Under MFRS 15, the Group recognises revenue from contracts with customers when a performance obligation is satisfied, which is when control of the goods underlying the particular performance obligation is transferred to the customers.

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

(i) MFRS 15, *Revenue from Contracts with Customers* (continued)

The Group plans to adopt the new standard on the required effective date using retrospective approach. The Group has assessed the estimated impact that the initial application of MFRS 15 will have on its consolidated financial statements for the year ended 30 June 2018 and the beginning of the earliest period presented on 1 July as below. The estimated impact on the initial application is based on assessment undertaken to date and the actual impacts of adopting the standard may change because the Group is still in the midst of implementing, testing and assessing the controls of the new information system.

	Statement of financial position as at 30 June 2018		Statement of financial position as at 1 July 2017	
Group	**As currently stated RM'000**	**After expected restatement RM'000**	**As currently stated RM'000**	**After expected restatement RM'000**
Inventories	122,277	119,318	100,982	100,795
Trade and other receivables	98,289	101,464	100,441	100,665
Deferred tax liabilities	8,275	8,327	8,629	8,638
Retained earnings	133,484	133,648	140,540	140,568

	Statement of profit or loss and other comprehensive income for the year ended 30 June 2018	
Group	**As currently stated RM'000**	**After expected restatement RM'000**
Revenue	408,014	410,350
Cost of goods sold	(300,882)	(303,841)
Distribution expenses	(46,050)	(45,211)
Tax expense	(4,090)	(4,142)
Profit for the year	10,188	10,352
Basic and diluted earnings per ordinary share (sen)	1.01	1.03

Notes to the Financial Statements

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

(ii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required.

The Group has performed an impact assessment of all three aspects of MFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2019 when the Group adopts MFRS 9. Based on the assessments, the adoption of MFRS 9 will not have significant financial impact to the Group.

(iii) MFRS 16, *Leases*

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

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group are currently assessing the financial impact that may arise from the adoption of MFRS 16.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in Note 5 – intangible assets.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

(ii) Business combinations

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

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

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

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

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

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

(iii) Acquisitions of non-controlling interests

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(iv) Restructuring among common shareholders

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

(v) Loss of control

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

(vi) Non-controlling interests

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

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

(vii) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency (continued)

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

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

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

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

(c) Financial instruments

(i) Initial recognition and measurement

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

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

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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

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

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

(b) Loans and receivables

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

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

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

Financial assets (continued)

(c) Available-for-sale financial assets

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

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

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

Financial liabilities

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

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

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

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

(iii) Financial guarantee contracts

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(iv) Regular way purchase or sale of financial assets

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

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

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

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

(v) Derecognition

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

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

Buildings	20 - 50 years
Plant and machinery	10 - 20 years
Motor vehicles	5 - 10 years
Electrical installation, renovation, equipment, furniture and fittings	3 - 10 years

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

(e) Leased assets

(i) Finance lease

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

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

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

(ii) Operating lease

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leased assets (continued)

(ii) Operating lease (continued)

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

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

(f) Intangible assets

(i) Goodwill

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

(ii) Brands

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

(iii) Patents and trademarks

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

(iv) Other intangible assets

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

(v) Subsequent expenditure

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

(vi) Amortisation

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

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

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

- Patents and trademarks — 10 - 15 years (2017: 15 years)

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Inventories

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

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

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

(h) Cash and cash equivalents

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

(i) Impairment

(i) Financial assets

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment (continued)

(ii) Other assets

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

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

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

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

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

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

(j) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Income tax

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

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

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

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

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

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

(l) Revenue and other income

(i) Goods sold

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

(ii) Dividend income

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

(iii) Interest income

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Borrowing costs

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

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

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

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

(n) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

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

(iii) Defined benefit plans

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

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

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employee benefits (continued)

(iii) Defined benefit plans (continued)

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

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

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

(o) Earnings per ordinary share

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

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

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

(p) Operating segments

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

(q) Fair value measurements

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

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

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

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

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

Level 3: unobservable inputs for the asset or liability.

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

3. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM'000	Plant and machinery RM'000	Equipment, furniture and fittings RM'000	Electrical installation and renovation RM'000	Motor vehicles RM'000	Construction-in-progress RM'000	Total RM'000
Group							
At cost							
At 1 July 2016	83,660	135,111	15,155	22,107	6,822	12,562	275,417
Acquisition of a subsidiary (see Note 25(i))	299	682	225	-	-	-	1,206
Additions (see Note 18)	5,786	5,141	4,496	1,454	499	7,551	24,927
Disposals	-	(87)	(36)	-	(39)	(58)	(220)
Written off	-	(153)	(400)	(12)	(79)	-	(644)
Transfers	-	2,786	1,166	1,788	-	(5,740)	-
Translation differences	2,340	5,153	290	839	90	1,040	9,752
At 30 June 2017/1 July 2017	92,085	148,633	20,896	26,176	7,293	15,355	310,438
Additions (see Note 18)	521	5,266	1,305	1,203	904	16,950	26,149
Disposals	-	(256)	(4)	-	(103)	(76)	(439)
Written off	-	(355)	(189)	(99)	-	-	(643)
Transfers	3,967	2,041	108	852	-	(6,968)	-
Translation differences	(1,181)	(1,840)	(195)	(804)	(50)	(198)	(4,268)
At 30 June 2018	95,392	153,489	21,921	27,328	8,044	25,063	331,237
Accumulated depreciation							
At 1 July 2016	7,328	64,902	9,092	9,515	3,646	-	94,483
Acquisition of a subsidiary (see Note 25(i))	227	541	139	-	-	-	907
Depreciation charge	2,685	5,429	1,587	901	855	-	11,457
Disposals	-	(75)	(36)	-	(38)	-	(149)
Written off	-	(81)	(400)	(12)	(79)	-	(572)
Translation differences	250	1,976	159	142	55	-	2,582
At 30 June 2017/1 July 2017	10,490	72,692	10,541	10,546	4,439	-	108,708
Depreciation charge	2,097	7,266	2,136	1,492	865	-	13,856
Disposals	-	(152)	-	-	(60)	-	(212)
Written off	-	(155)	(181)	(99)	-	-	(435)
Translation differences	(210)	(822)	(86)	(168)	(37)	-	(1,323)
At 30 June 2018	12,377	78,829	12,410	11,771	5,207	-	120,594
Carrying amounts							
At 1 July 2016	76,332	70,209	6,063	12,592	3,176	12,562	180,934
At 30 June 2017/1 July 2017	81,595	75,941	10,355	15,630	2,854	15,355	201,730
At 30 June 2018	83,015	74,660	9,511	15,557	2,837	25,063	210,643

Notes to the Financial Statements

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land and buildings

Included in the carrying amounts of land and buildings are:

	Group	
	2018 RM'000	2017 RM'000
Land	28,483	28,519
Buildings	54,532	53,076
	83,015	81,595

Security

The land and buildings and plant and machinery of the Group with a carrying amount of RM45,638,000 (2017: RM28,085,095) are charged to licensed banks as security for banking facilities granted as disclosed in Note 12.

Leased plant and machinery and motor vehicles

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

	Group	
	2018 RM'000	2017 RM'000
Plant and machinery	1,788	2,039
Motor vehicles	1,768	1,818
	3,556	3,857

Construction-in-progress

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

Others

Included in buildings of the Group is finance cost capitalised of RM45,545 (2017: RM142,897) at 4.59% (2017: 5.00%) per annum.

4. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018 RM'000	2017 RM'000
Unquoted shares, at cost	279,865	267,232

4. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of entity	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2018 %	2017 %
Direct subsidiaries				
Karex Industries Sdn. Bhd.	Manufacture and sale of condoms, rubber products, personal lubricants and others	Malaysia	100	100
Hevea Medical Sdn. Bhd.	Manufacture and sale of condoms, rubber products, personal lubricants and others	Malaysia	100	100
Innolatex Sdn. Bhd.	Manufacture and sale of condoms, rubber products, personal lubricants and others	Malaysia	100	100
Innolatex (Thailand) Limited*	Manufacture and sale of condoms, rubber products, personal lubricants and others	Thailand	100	100
Karex Global Limited#	Investment holding	Hong Kong	100	100
Medical-Latex (Dua) Sdn. Bhd.	Manufacture and sale of condoms, rubber products, personal lubricants and others	Malaysia	100	100
Karex Holdings Sdn. Bhd.	Investment holding	Malaysia	100	100
Karex International Sdn. Bhd.	Investment holding	Malaysia	100	100
Karex Marketing Sdn. Bhd.	Dormant	Malaysia	100	100
Karex Polymers Limited#	Manufacturing of pre-vulcanised latex	Thailand	100	100
Subsidiary of Karex Holdings Sdn. Bhd.				
Pasante Healthcare Limited#	Wholesalers of healthcare products	United Kingdom	100	100
Subsidiary of Karex Industries Sdn. Bhd.				
Uro Technology Sdn. Bhd.	Manufacturing and sale of urinary urethral products	Malaysia	100	100
Subsidiary of Karex Global Limited				
Global Protection Corporation#	Distribution, packaging and marketing of condoms and related products	United States of America	70	55
Karex Europe S.L.U.##	Dormant	Spain	-	100
Subsidiary of Global Protection Corporation				
Global Protection Corp UK Limited#	Dormant	United Kingdom	100	100

* Audited by other member firm of KPMG International.
\# Not audited by member firm of KPMG International.
\## The subsidiary was liquidated on 19 July 2017.

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

Notes to the Financial Statements

5. INTANGIBLE ASSETS

	Goodwill RM'000	Brands RM'000	Patents and trademarks RM'000	Other intangible assets RM'000	Total RM'000
Group					
At cost					
At 1 July 2016	-	25,708	1,549	5,589	32,846
Acquisition of a subsidiary (see Note 25(i))	27,230	-	-	-	27,230
Addition	-	35,072	58	358	35,488
Effect of movements in exchange rates	-	1,721	15	-	1,736
At 30 June 2017/1 July 2017	27,230	62,501	1,622	5,947	97,300
Addition	-	-	277	-	277
Effect of movements in exchange rates	-	(1,746)	(100)	-	(1,846)
At 30 June 2018	27,230	60,755	1,799	5,947	95,731
Accumulated amortisation					
At 1 July 2016	-	-	275	-	275
Amortisation charge	-	-	81	-	81
Effect of movements in exchange rates	-	-	4	-	4
At 30 June 2017/1 July 2017	-	-	360	-	360
Amortisation charge	-	-	159	-	159
Effect of movements in exchange rates	-	-	(9)	-	(9)
At 30 June 2018	-	-	510	-	510
Carrying amounts					
At 1 July 2016	-	25,708	1,274	5,589	32,571
At 30 June 2017/1 July 2017	27,230	62,501	1,262	5,947	96,940
At 30 June 2018	27,230	60,755	1,289	5,947	95,221

5. INTANGIBLE ASSETS (CONTINUED)

Other intangible assets

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

Amortisation

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

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

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

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

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

	Goodwill		Brands		Other intangible assets	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Pasante Healthcare Limited ("Pasante")	27,230	27,230	-	-	-	-
"ONE" brand manufacturing and distribution	-	-	25,856	27,499	-	-
"Trustex" brand manufacturing and distribution	-	-	34,100	34,100	-	-
"NüVo" brand manufacturing and distribution	-	-	799	902	-	-
Other intangible assets related to fitted condom	-	-	-	-	5,589	5,589
Other intangible assets related to former production	-	-	-	-	358	358
	27,230	27,230	60,755	62,501	5,947	5,947

Goodwill

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

(i) Cash flows were projected based on 10-year plan and an estimated terminal value.
(ii) Revenue were projected based on growth rate of 8.00% - 16.04% on historical sales performance.
(iii) Profit margins were based on the historical performance of the distribution units and remain constant throughout the projected period.
(iv) A pre-tax discount rate of 14.0% was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the industry's weighted average cost of capital.

5. INTANGIBLE ASSETS (CONTINUED)

Brands

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

(i) Cash flows were projected based on 10-year plan and an estimated terminal value.
(ii) Revenue were projected based on adult population that uses condom of the target territories.
(iii) Profit margins were based on the historical performance of the manufacturing and distribution units and remain constant throughout the projected period.
(iv) A pre-tax discount rate of 14.0% - 14.3% was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the industry's weighted average cost of capital.

Other intangible assets related to fitted condoms

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

(i) Cash flows were projected based on 10-year plan and an estimated terminal value.
(ii) Revenue was projected based on adult population that uses condom of the target territories.
(iii) Profit margin was based on the historical performance of the manufacturing and distribution units and remain constant throughout the projected period.
(iv) A pre-tax discount rate of 14.2% was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the industry's weighted average cost of capital.

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

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

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

	1 percentage point change in revenue growth		1 percentage point change in gross profit margin		1 percentage point change in discount rate	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Pasante	9,549	1,670	5,689	6,576	4,628	5,878
"ONE" brand manufacturing and distribution	373	530	2,990	2,913	4,371	5,985
"Trustex" brand manufacturing and distribution	361	385	906	933	4,023	4,180
"NüVo" brand manufacturing and distribution	21	44	115	115	230	501
Other intangible assets related to fitted condom	118	66	263	214	1,244	791

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

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

6. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Group						
Property, plant and equipment - capital allowances	-	-	(10,263)	(9,701)	(10,263)	(9,701)
Unutilised business losses	468	282	-	-	468	282
Inventories	1,439	377	-	-	1,439	377
Trade receivables	237	852	-	-	237	852
Others	1,038	-	(353)	(168)	685	(168)
Tax assets/(liabilities)	3,182	1,511	(10,616)	(9,869)	(7,434)	(8,358)
Set off of tax	(2,341)	(1,240)	2,341	1,240	-	-
Net tax assets/(liabilities)	841	271	(8,275)	(8,629)	(7,434)	(8,358)

Movement in temporary differences during the year

	At 1 July 2017 RM'000	Recognised in profit or loss (Note 14) RM'000	At 30 June 2018 RM'000
Group			
Property, plant and equipment - capital allowances	(9,701)	(562)	(10,263)
Unutilised business losses	282	186	468
Inventories	377	1,062	1,439
Trade receivables	852	(615)	237
Others	(168)	853	685
	(8,358)	924	(7,434)

	At 1 July 2016 RM'000	Recognised in profit or loss (Note 14) RM'000	At 30 June 2017 RM'000
Group			
Property, plant and equipment - capital allowances	(8,086)	(1,615)	(9,701)
Unutilised business losses	-	282	282
Inventories	574	(197)	377
Trade receivables	92	760	852
Others	(88)	(80)	(168)
	(7,508)	(850)	(8,358)

Notes to the Financial Statements

7. INVENTORIES

	Group	
	2018 RM'000	2017 RM'000
Raw materials	39,402	30,943
Work-in-progress	29,891	18,827
Finished goods	51,275	49,967
Chemicals and factory supplies	1,709	1,245
	122,277	100,982
Carrying amount:		
- At cost	118,872	99,308
- At net realisable value	3,405	1,674
	122,277	100,982
Recognised in profit or loss:		
- Inventories recognised as cost of goods sold	297,330	248,983
- Allowance for slow-moving	2,892	266
- Written off	335	707
- Written down to net realisable value	325	302

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade				
Trade receivables	83,537	78,511	-	-
Non-trade				
Other receivables	9,754	12,643	24	-
Deposits	1,135	934	-	-
Prepayments	3,863	8,353	-	-
Due from subsidiaries	-	-	51,991	48,793
	14,752	21,930	52,015	48,793
	98,289	100,441	52,015	48,793

The amounts due from subsidiaries are unsecured, subject to interest at 5% (2017: 5%) per annum and repayable upon demand.

Included in prepayments is advance payment made to suppliers amounting to RM688,084 (2017: RM614,718).

9. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	2018		2017	
	Nominal value RM'000	Financial liabilities RM'000	Nominal value RM'000	Financial assets RM'000
Group				
Derivatives held for trading at fair value through profit or loss				
- Forward exchange contracts	104,038	(1,541)	52,081	347

Forward exchange contracts are used to manage the foreign currency exposures arising from the Group's receivables and payables denominated in currencies other than the functional currency of the Group. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward contracts are rolled over at maturity.

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and bank balances	18,543	35,594	1,089	7,841
Deposits with licensed banks	1,058	705	-	-
Deposits with other corporation	28,621	48,785	28,621	47,452
	48,222	85,084	29,710	55,293

Deposits with licensed banks of the Group of RM1,058,000 (2017: RM705,000) are pledged to bank as security for bank guarantee granted to the Group.

11. CAPITAL AND RESERVES

Share capital

	Group/Company		Group/Company Number of ordinary shares	
	2018 RM'000	2017 RM'000	2018 '000	2017 '000
Ordinary shares:				
Issued and fully paid:				
At 1 July	281,980	250,594	1,002,375	1,002,375
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016	-	31,386	-	-
At 30 June	281,980	281,980	1,002,375	1,002,375

Notes to the Financial Statements

11. CAPITAL AND RESERVES (CONTINUED)

Reserves

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Distributable				
Retained earnings	133,484	140,540	12,790	21,168
Non-distributable				
Merger reserve	63,511	63,511	63,511	63,511
Translation reserve	3,653	9,895	-	-
Other reserve	718	718	-	-
	201,366	214,664	76,301	84,679

Ordinary shares

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

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

Merger reserve

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

Translation reserve

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

Other reserve

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

12. LOANS AND BORROWINGS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current				
Secured				
Term loans	9,805	10,464	1,938	3,263
Finance lease liabilities	768	744	-	-
	10,573	11,208	1,938	3,263
Current				
Secured				
Term loans	4,456	6,408	1,131	1,202
Bankers' acceptances	6,975	3,167	-	-
Bank overdraft	830	-	-	-
Finance lease liabilities	403	655	-	-
	12,664	10,230	1,131	1,202
Unsecured				
Trust receipt	414	-	-	-
Export financing	2,161	-	-	-
Revolving credit	2,019	-	-	-
	4,594	-	-	-
	17,258	10,230	1,131	1,202
	27,831	21,438	3,069	4,465

The loans and borrowings are secured by:

(i) Fixed and floating charges over the Group's certain assets as disclosed in Note 3; and
(ii) Corporate guarantee by the Company.

Significant covenants

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

a. Maintain gearing ratios of not more than 1.5 times or 2.0 times or 3.5 times as defined by the respective financial institutions.

b. Net tangible worth of the said subsidiary shall not be less than RM40,000,000.

c. The said subsidiary shall not without the banks' prior written consent, incur or assume additional indebtedness or guarantee any indebtedness (except in the ordinary course of business), alter the present ownership structure and extend loans and advances to the Directors of the Company and its related companies.

d. The said subsidiary shall not without the banks' prior written consent, declare and pay dividend exceeding 50% of the profit after tax of each financial year.

The said subsidiary has complied with the above loan covenants.

Notes to the Financial Statements

12. LOANS AND BORROWINGS (CONTINUED)

Finance lease liabilities

Finance lease liabilities (secured) are payable as follows:

	2018			2017		
	Future minimum lease payment RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Group						
Less than one year	446	43	403	703	48	655
Between one and five years	809	41	768	786	42	744
	1,255	84	1,171	1,489	90	1,399

Reconciliation of movement of liabilities to cash flows arising from financing activities:

	At 1 July 2017 RM'000	Net changes from financing cash flows RM'000	Acquisition of new lease RM'000	At 30 June 2018 RM'000
Group				
Trust receipt	-	414	-	414
Bankers' acceptance	3,167	3,808	-	6,975
Finance lease liabilities	1,399	(698)	470	1,171
Term loans	16,872	(2,611)	-	14,261
Export financing	-	2,161	-	2,161
Revolving credit	-	2,019	-	2,019
Total liabilities from financing activities	21,438	5,093	470	27,001
Company				
Term loans/**Total liabilities from financing activities**	4,465	(1,396)	-	3,069

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade				
Trade payables	38,173	38,217	-	-
Non-trade				
Other payables and accrued expenses	22,880	26,277	130	23
	61,053	64,494	130	23

Included in other payables and accrued expenses is an amount of RM2,837,000 (2017: RM4,826,000) in respect of advances received from customers.

14. TAX EXPENSE

Recognised in profit or loss

Major components of income tax expense include:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current tax expense				
- Current year	4,696	6,751	488	570
- Prior years	318	642	23	(24)
	5,014	7,393	511	546
Deferred tax (income)/expense				
- Origination and reversal of temporary differences	(1,083)	1,235	-	-
- Under/(Over) provision in prior years	159	(385)	-	-
	(924)	850	-	-
	4,090	8,243	511	546
Reconciliation of tax expense				
Profit before tax	14,278	37,049	2,157	4,491
Income tax calculated using Malaysian tax rate of 24%	3,427	8,892	518	1,078
Non-deductible expenses	733	1,298	296	293
Non-taxable income	(249)	(645)	(326)	(801)
Effect of different tax rates in different jurisdictions	114	(57)	-	-
Tax incentives	(412)	(1,502)	-	-
	3,613	7,986	488	570
Under/(Over) provision in prior years	477	257	23	(24)
Tax expense	4,090	8,243	511	546

Notes to the Financial Statements

15. PROFIT FOR THE YEAR

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit for the year is arrived at after charging/(crediting)				
Audit fees				
- KPMG PLT	290	290	85	85
- Overseas affiliate of KPMG PLT	100	97	-	-
- Other auditors	267	267	-	-
Non-audit fees				
- KPMG PLT	5	6	-	-
Depreciation and amortisation	14,015	11,538	-	-
Fair value loss/(gain) on derivative instruments	1,541	(347)	-	-
Finance costs	1,251	1,190	137	145
Finance income	(1,480)	(2,737)	(3,941)	(5,697)
Foreign exchange:				
- Realised loss/(gain)	701	(1,427)	117	(116)
- Unrealised gain	(373)	(570)	(22)	(265)
Impairment loss on trade receivables	330	538	-	-
Inventories:				
- Allowance for slow moving	2,892	266	-	-
- Written off	335	707	-	-
- Written down to net realisable value	325	302	-	-
Personnel expenses (including key management personnel):				
- Contributions to state plans	3,553	3,459	-	-
- Wages, salaries and others	96,220	78,663	466	440
Property, plant and equipment:				
- Loss/(Gain) on disposal	153	(3)	-	-
- Written off	208	72	-	-
Rental expense	3,793	3,273	-	-

16. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 30 June 2018 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Profit for the year attributable to owners of the Company	10,103	27,946
Weighted average number of ordinary shares		
Weighted average number of ordinary shares at 30 June ('000)	1,002,375	1,002,375
Basic earnings per ordinary share (sen)	1.01	2.79

Diluted earnings per ordinary share

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

17. DIVIDENDS

Dividends recognised by the Company are:

	Sen per share	**Total amount RM'000**	**Date of payment**
2018			
Dividend 2017	1.0	10,024	18 December 2017
2017			
Dividend 2016	2.0	20,048	16 December 2016

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

	Sen per share	**Total amount RM'000**
Final 2018	0.5	5,012

Notes to the Financial Statements

18. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

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

	Group	
	2018 RM'000	**2017 RM'000**
Current year additions	26,149	24,927
Add/(Less):		
- Amount financed by finance lease	(470)	(393)
- Balances in respect of acquisition of property, plant and equipment included in other creditors		
- at end of year	(1,889)	(4,456)
- at beginning of year	4,456	-
- Interest capitalised	(46)	(143)
Cash from acquisition of property, plant and equipment	28,200	19,935

19. OPERATING SEGMENTS

Group

The Group's main business activities comprise investment holding, manufacture and sale of sexual wellness, medical and other health related products. These activities are principally located in Malaysia, Thailand, United States of America and Europe. Inter-segment pricing is determined based on negotiated terms.

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

Segment assets

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

Segment liabilities

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

Segment capital expenditure

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

19. OPERATING SEGMENTS (CONTINUED)

	Sexual Wellness RM'000	Medical RM'000	Others RM'000	Total RM'000
2018				
Segment profit	11,581	4,127	259	15,967
Included in the measure of segment profit are:				
Revenue from external customers	375,452	26,347	6,215	408,014
Inventories:				
- Allowance for slow moving	(2,892)	-	-	(2,892)
- Written off	(335)	-	-	(335)
- Written down to net realisable value	(325)	-	-	(325)
Depreciation and amortisation	(13,803)	(209)	(3)	(14,015)
Not included in the measure of segment profit but provided to CEO:				
Finance income	63	1	-	64
Finance costs	(1,090)	(24)	-	(1,114)
Segment assets	527,777	24,897	2,130	554,804
Not included in the measure of segment assets are:				
Additions to non-current assets other than financial instruments and deferred tax assets	26,211	215	-	26,426
2017				
Segment profit	32,588	5,837	901	39,326
Included in the measure of segment profit are:				
Revenue from external customers	328,467	27,255	5,730	361,452
Inventories:				
- Allowance for slow moving	(233)	(20)	(13)	(266)
- Written off	(707)	-	-	(707)
Depreciation and amortisation	(11,346)	(190)	(2)	(11,538)
Not included in the measure of segment profit but provided to CEO:				
Finance income	84	-	-	84
Finance costs	(968)	(77)	-	(1,045)
Segment assets	515,492	20,399	2,566	538,457
Not included in the measure of segment assets are:				
Additions to non-current assets other than financial instruments and deferred tax assets	60,195	220	-	60,415

Notes to the Financial Statements

19. OPERATING SEGMENTS (CONTINUED)

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

	Group	
	2018 RM'000	**2017 RM'000**
Profit or loss		
Total profit for reportable segments	15,967	39,326
Finance costs	(1,114)	(1,045)
Finance income	64	84
Unallocated items:		
- Corporate expenses	(1,552)	(1,592)
- Finance income from deposits with licensed banks and other corporation	1,416	2,653
- Finance costs	(137)	(145)
- Others	(366)	(2,232)
Consolidated profit before tax	14,278	37,049
Total assets		
Total assets for reportable segments	554,804	538,457
Other non-reportable segments	29,669	55,324
Consolidated total assets	584,473	593,781

Geographical segments

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

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

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

Geographical revenue

	Group	
	2018 RM'000	**2017 RM'000**
Asia	119,517	92,776
Africa	95,969	89,553
America	119,642	104,932
Europe	72,886	74,191
Consolidated revenue	408,014	361,452

Major customers

There is no significant concentration of sales to a customer exceeding 10% of the Group's revenue for year 2018 and 2017.

20. FINANCIAL INSTRUMENTS

20.1 Categories of financial instruments

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

(a) Loans and receivables ("L&R");
(b) Financial liabilities measured at amortised cost ("FL"); and
(c) Fair value through profit or loss ("FVTPL"):
- Held for trading ("HFT").

	Carrying amount RM'000	L&R RM'000	FL RM'000	FVTPL -HFT RM'000
Group				
2018				
Financial assets				
Trade and other receivables	94,426	94,426	-	-
Cash and cash equivalents	48,222	48,222	-	-
	142,648	142,648	-	-
Financial liabilities				
Trade and other payables	(58,216)	-	(58,216)	-
Loans and borrowings	(27,831)	-	(27,831)	-
Derivative financial liabilities	(1,541)	-	-	(1,541)
	(87,588)	-	(86,047)	(1,541)
2017				
Financial assets				
Trade and other receivables	92,088	92,088	-	-
Derivatives financial assets	347	-	-	347
Cash and cash equivalents	85,084	85,084	-	-
	177,519	177,172	-	347
Financial liabilities				
Trade and other payables	(59,668)	-	(59,668)	-
Loans and borrowings	(21,438)	-	(21,438)	-
	(81,106)	-	(81,106)	-

Notes to the Financial Statements

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.1 Categories of financial instruments (continued)

	Carrying amount RM'000	L&R RM'000	FL RM'000	FVTPL -HFT RM'000
Company				
2018				
Financial assets				
Trade and other receivables	52,015	52,015	-	-
Cash and cash equivalents	29,710	29,710	-	-
	81,725	81,725	-	-
Financial liabilities				
Trade and other payables	(130)	(130)	-	-
Loans and borrowings	(3,069)	(3,069)	-	-
	(3,199)	(3,199)	-	-
2017				
Financial assets				
Trade and other receivables	48,793	48,793	-	-
Cash and cash equivalents	55,293	55,293	-	-
	104,086	104,086	-	-
Financial liabilities				
Trade and other payables	(23)	-	(23)	-
Loans and borrowings	(4,465)	-	(4,465)	-
	(4,488)	-	(4,488)	-

20.2 Net gains and losses arising from financial instruments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net gains/(losses) on:				
Fair value through profit or loss	(1,541)	347	-	-
Loans and receivables	822	4,196	3,847	6,077
Financial liabilities measured at amortised cost	(1,251)	(1,190)	(137)	(145)
	(1,970)	3,353	3,710	5,932

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

20.4 Credit risk

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

Receivables

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

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

Impairment losses

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

	Gross RM'000	Individual impairment RM'000	Net RM'000
Group			
2018			
Not past due	54,534	-	54,534
Past due 0 - 30 days	12,173	-	12,173
Past due 31 - 60 days	5,213	-	5,213
Past due more than 60 days	11,860	(243)	11,617
	83,780	(243)	83,537
2017			
Not past due	53,007	-	53,007
Past due 0 - 30 days	16,735	-	16,735
Past due 31 - 60 days	4,922	-	4,922
Past due more than 60 days	4,471	(624)	3,847
	79,135	(624)	78,511

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

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

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

	Group	
	2018 RM'000	2017 RM'000
At 1 July	624	457
Impairment loss recognised	330	538
Impairment loss written off	(711)	(371)
At 30 June	243	624

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

Inter-company balances

Risk management objectives, policies and processes for managing the risk

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

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

Exposure to credit risk, credit quality and collateral

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

Impairment losses

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

Financial guarantees

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

The Company's maximum exposure to credit risk amounts to RM25,147,000 (2017: RM16,622,000) representing the outstanding banking facilities of its subsidiaries as at the end of the reporting period.

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

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

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.5 Liquidity risk

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

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

Maturity analysis

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

	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
2018							
Non-derivative financial liabilities							
Trade and other payables	58,216	-	58,216	58,216	-	-	-
Secured term loans	14,261	3.48 - 5.92	15,002	4,656	5,096	4,133	1,117
Secured finance lease liabilities	1,171	3.87 - 6.02	1,255	446	410	399	-
Secured bank overdraft	830	6.20 - 9.20	830	830	-	-	-
Secured bankers' acceptances	6,975	4.25	6,975	6,975	-	-	-
Unsecured export financing	2,161	3.22 - 3.29	2,161	2,161	-	-	-
Unsecured revolving credit	2,019	4.35	2,019	2,019	-	-	-
Unsecured trust receipt	414	3.41	414	414	-	-	-
	86,047		86,872	75,717	5,506	4,532	1,117
Derivative financial liabilities							
Forward exchange contracts (gross settled):							
Outflow	1,541	-	105,579	105,579	-	-	-
Inflow	-	-	(104,038)	(104,038)	-	-	-
	87,588		88,413	77,258	5,506	4,532	1,117

Notes to the Financial Statements

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.5 Liquidity risk (continued)

	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
2017							
Non-derivative financial liabilities							
Trade and other payables	64,494	-	64,494	64,494	-	-	-
Secured term loans	16,872	3.48 - 7.85	18,640	7,129	4,612	5,490	1,409
Secured finance lease liabilities	1,399	4.09 - 6.02	1,489	703	648	138	-
Secured bankers' acceptances	3,167	4.25	3,167	3,167	-	-	-
	85,932		87,790	75,493	5,260	5,628	1,409
Derivative financial liabilities							
Forward exchange contracts (gross settled):							
Outflow	-	-	51,734	51,734	-	-	-
Inflow	(347)	-	(52,081)	(52,081)	-	-	-
	85,585		87,443	75,146	5,260	5,628	1,409
Company							
2018							
Non-derivative financial liabilities							
Trade and other payables	130	-	130	130	-	-	-
Secured term loans	3,069	3.48	3,226	1,222	1,183	821	-
Financial guarantee*	-	-	25,147	25,147	-	-	-
	3,199		28,503	26,499	1,183	821	-

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

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.5 Liquidity risk (continued)

	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Company							
2017							
Non-derivative financial liabilities							
Trade and other payables	23	-	23	23	-	-	-
Secured term loans	4,465	3.48	4,774	1,342	1,300	2,132	-
Financial guarantee*	-	-	16,622	16,622	-	-	-
	4,488		21,419	17,987	1,300	2,132	-

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

20.6 Market risk

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

Currency risk

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

Risk management objectives, policies and processes for managing the risk

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

Notes to the Financial Statements

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.6 Market risk (continued)

Currency risk (continued)

Exposure to foreign currency risk

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

	Denominated in			
	USD RM'000	CNY RM'000	EUR RM'000	GBP RM'000
Group				
2018				
Trade receivables	60,036	4,450	113	194
Intercompany receivables	68,634	-	-	-
Cash and cash equivalents	3,722	3	171	45
Trade payables	(8,321)	-	(5)	-
Other payables	(2,470)	-	-	(4)
Intercompany payables	(39,301)	-	-	-
Loans and borrowings	(7,642)	-	-	-
Forward exchange contracts	(104,038)	-	-	-
Net exposure	(29,380)	4,453	279	235
2017				
Trade receivables	58,329	2,167	197	1,254
Other receivables	474	-	144	-
Intercompany receivables	56,681	-	-	-
Cash and cash equivalents	6,113	-	328	1
Trade payables	(9,738)	-	(5)	-
Other payables	(4,612)	-	-	(4)
Intercompany payables	(27,785)	-	-	-
Loans and borrowings	(4,465)	-	-	-
Forward exchange contracts	(52,081)	-	-	-
Net exposure	22,916	2,167	664	1,251

	Denominated in USD RM'000
Company	
2018	
Loans and borrowings	(3,069)
2017	
Loans and borrowings	(4,465)

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.6 Market risk (continued)

Currency risk (continued)

Currency risk sensitivity analysis

A 10% (2017: 10%) strengthening of the Ringgit Malaysia ("RM") against the following currencies at the end of the reporting period would have decreased post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

	Denominated in			
	USD RM'000	**CNY RM'000**	**EUR RM'000**	**GBP RM'000**
Group				
2018				
Profit or (loss)	2,232	(338)	(21)	(18)
2017				
Profit or (loss)	(1,742)	(165)	(50)	(95)

	Denominated in USD RM'000
Company	
2018	
Profit or (loss)	233
2017	
Profit or (loss)	339

A 10% (2017: 10%) weakening of the RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

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

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.6 Market risk (continued)

Interest rate risk (continued)

Exposure to interest rate risk

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

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Fixed rate instruments				
Financial assets	29,679	49,490	80,612	96,245
Financial liabilities	(12,740)	(4,566)	-	-
	16,939	44,924	80,612	96,245
Floating rate instruments				
Financial liabilities	(15,091)	(16,872)	(3,069)	(4,465)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

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

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) the Group and the Company post-tax results by RM115,000 (2017: RM128,000) and RM23,000 (2017: RM34,000) respectively. This analysis assumes that all other variables remained constant.

20.7 Fair value information

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

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

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

It was not practicable to estimate the fair value of the Company's investment in unquoted shares due to the lack of comparable quoted market prices in an active market and the fair value cannot be reliably measured.

20. Financial instruments (continued)

20.7 Fair value information (continued)

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

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

	Fair value of financial instruments carried at fair value Level 2 RM'000	Total fair value RM'000	Carrying amount RM'000
Group			
2018			
Financial liabilities			
Forward exchange contracts	(1,541)	(1,541)	(1,541)
2017			
Financial assets			
Forward exchange contracts	347	347	347

Level 2 fair value

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

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the year (2017: None).

Notes to the Financial Statements

21. CAPITAL MANAGEMENT

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

During the financial year ended 30 June 2018, the Group's strategy was to maintain the debt-to-equity ratio at the lower end range within 0.5 to 1.0. The debt and equity position of the Group are as follows:

	Group	
	2018 RM'000	2017 RM'000
Total borrowings (Note 12)	27,831	21,438
Less: Cash and cash equivalents (Note 10)	(48,222)	(85,084)
	(20,391)	(63,646)
Total equity	484,376	498,143

No disclosure is made for debt-to-equity ratio as the Group is in a net positive cash position as at 30 June 2018.

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

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

22. CAPITAL COMMITMENT

	Group	
	2018 RM'000	2017 RM'000
Capital expenditure commitments		
Property, plant and equipment		
Contracted but not provided for	5,532	5,933

23. OPERATING LEASES

Leases as lessee

	Group	
	2018 RM'000	2017 RM'000
Non-cancellable operating rentals are payable as follows:		
Within one year	3,051	2,403
Between one and five years	9,009	7,079
More than five years	7,754	7,026
	19,814	16,508

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

24. RELATED PARTIES

Identity of related parties

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

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

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

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group and the Company, other than acquisitions (see Note 25 and 26), are shown below. The balances related to the below transactions are shown in Note 8.

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
A. Subsidiary				
Interest income	-	-	2,524	3,059
B. Entities in which certain Directors/Directors' close family members have substantial financial interest				
Sales of goods	234	236	-	-
Purchases of raw materials	703	725	-	-
C. Key management personnel				
Directors				
- Fees	460	440	460	440
- Remunerations	1,300	1,616	-	-
- Benefits	46	41	-	-
- Contributions to the state plans	215	275	-	-
	2,021	2,372	460	440
Senior management				
- Remunerations	2,868	2,799	-	-
- Benefits	68	68	-	-
- Contributions to the state plans	487	471	-	-
	3,423	3,338	-	-
Total short-term employee benefits	5,444	5,710	460	440

Notes to the Financial Statements

25. ACQUISITION OF A SUBSIDIARY

For the financial year ended 30 June 2017

(i) Acquisition of a subsidiary

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

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

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

(ii) Acquisition-related costs

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

26. ACQUISITION OF NON-CONTROLLING INTEREST

For the financial year ended 30 June 2018

On 16 March 2018, the Group via a wholly-owned subsidiary, Karex Global Limited, acquired an additional 15% interest in Global Protection Corporation ("GPC") for RM7,569,000 in cash, increasing its ownership from 55% to 70%. The carrying amount of GPC's net assets in the Group's financial statements on the date of the acquisition was RM2,732,000. The Group recognised a decrease in non-controlling interests of RM434,000 and retained earnings of RM7,135,000

The following summarises the effect of changes in the equity interest in GPC that is attributable to owners of the Company:

	Group 2018 RM'000
Equity interest at 1 July 2017	1,833
Share of comprehensive income	127
Effect of increase in Group's ownership interest	434
	2,394

Statement by Directors

Pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 60 to 116 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2018 and of their financial performance and cash flows for the financial year then ended.

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

Wong Yien Kim
Director

Goh Leng Kian
Director

Kuala Lumpur

Date: 8 October 2018

Statutory Declaration

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

I, **Goh Chok Siang**, the officer primarily responsible for the financial management of KAREX BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 60 to 116 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the above named Goh Chok Siang, NRIC: 710621-04-5081, MIA CA 14638, at Kuala Lumpur in the Federal Territory on 8 October 2018.

Goh Chok Siang

Before me:
Samugam Vassoo (W 632)
Commissioner For Oaths

Independent Auditors' Report

to the Members of Karex Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Karex Berhad, which comprise the statements of financial position as at 30 June 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 60 to 116.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Goodwill and intangible assets impairment assessment

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

The key audit matter

The Group has goodwill of RM27,230,000, brands of RM60,755,000 and other intangible assets of RM5,947,000 with indefinite useful life as at 30 June 2018 which are required to be tested for impairment on an annual basis. When a review of impairment is conducted, the recoverable amount is determined based on discounted future cash flow projections using the Group's assumptions and assessment of the future results and prospects of the business. The key assumptions applied by the Group in the cash flow projections are those relating to discount rates, revenue growth rates and profit margin.

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

Independent Auditors' Report

to the Members of Karex Berhad

Key Audit Matters (Continued)

How the matter was addressed in our audit:

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

- We obtained the annual impairment assessment performed by the Group and agreed the cash flow projections to the approved business plans and budgets.

- We checked the mathematical accuracy of the cash flow projections.

- We evaluated the historical accuracy of the cash flow projections, by comparing the cash flow forecasts used in the prior year to the actual performance of the business in the current year.

- We assessed the appropriateness of key assumptions used in particular those relating to discount rates, revenue growth rates and profit margin applied to the cash flows, with reference to internally and externally derived sources and taking into account the Group's historical forecasting accuracy.

- We also assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflects the risks inherent in the valuation of goodwill, brands and other intangible assets.

Inventories valuation

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

The key audit matter

The Group is primarily involved in manufacturing and selling of condoms based on the design specification prescribed by customers. As described in the significant accounting policies in Note 2(g) to the financial statements, inventories are measured at lower of cost and net realisable value. As at 30 June 2018, the Group has reported significant inventory balance of RM122,277,000.

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

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

How the matter was addressed in our audit:

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

- We assessed the appropriateness of the management's approach in adopting the group's policy for slow-moving inventories.

- We assessed the accuracy and reliability of the inventory aging and evaluated whether the provisions are in-line with the group's policy.

- We evaluated the net realisable values for finished goods as at 30 June 2018 by comparing the most recent selling prices of the finished goods to assess whether these exceeded the carrying value of inventories at year end.

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

Independent Auditors' Report

to the Members of Karex Berhad

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Independent Auditors' Report

to the Members of Karex Berhad

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTER

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

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

Lam Shuh Siang
Approval Number: 03045/02/2019 (J)
Chartered Accountant

Johor Bahru

Date: 8 October 2018

List of Properties

No.	Address	Land area/ Build up area (Sq ft)	Description/ Existing use	Date of acquisition	Tenure	Year of expiry	Approximate age of buildings (Years)	Net book value at 30 June 2018 (RM'000)
1.	PTD 7906, Taman Pontian Jaya, Batu 34 Jalan Johor, 82000 Pontian, Johor Darul Takzim	9,354/ 5,460	1½ storey semi-detached building which we use as office, factory and warehouse	05/04/2000	Freehold	-	25	501
2.	PTD 7907, Taman Pontian Jaya, Batu 34 Jalan Johor, 82000 Pontian, Johor Darul Takzim	10,807/ 5,460	1½ storey semi-detached building which we use as office, factory and warehouse	05/04/2000	Freehold	-	25	501
3.	Lot 1235, Benut, 82000 Pontian, Johor Darul Takzim	225,418/ -	Vacant land	10/09/2002	Freehold	-	-	813
4.	PTD 7915, Taman Pontian Jaya, Batu 34 Jalan Johor, 82000 Pontian, Johor Darul Takzim	9,720/ 5,460	1½ storey semi-detached building which we use as warehouse	22/02/2005	Freehold	-	25	541
5.	Lot 2767, Jalan Johor, 82000 Pontian, Johor Darul Takzim	781,335/ -	Building under construction	21/10/2010	Freehold	-	-	10,508
6.	Lot 1863, Batu 39½, Jalan Johor, 82000 Pontian, Johor Darul Takzim	18,241/ 7,798	Single storey semi-detached building which we use as office, factory and warehouse	27/07/2015	Leasehold 99 years	October 2063	25	639
7.	Lot 2491, Batu 39½, Jalan Johor, 82000 Pontian, Johor Darul Takzim	54,450/ 21,385	Single storey semi-detached building which we use as office, factory and warehouse	27/07/2015	Leasehold 99 years	October 2063	25	1,909
8.	Lot 2244, Batu 39½, Jalan Johor, 82000 Pontian, Johor Darul Takzim	39,204/ 6,439	Single storey semi-detached building which we use as office, factory and warehouse	27/07/2015	Leasehold 99 years	October 2063	25	1,377
9.	Lot 2256, Batu 39½, Jalan Johor, 82000 Pontian, Johor Darul Takzim	199,477/ 128,808	Single storey semi-detached building which we use as office, factory and warehouse	27/07/2015	Freehold	-	25	8,661

List of Properties

No.	Address	Land area/ Build up area (Sq ft)	Description/ Existing use	Date of acquisition	Tenure	Year of expiry	Approximate age of buildings (Years)	Net book value at 30 June 2018 (RM'000)
10.	Lot 1368, Batu 39½, Jalan Johor, 82000 Pontian, Johor Darul Takzim	37,598/ -	Vacant land	27/07/2015	Agriculture Freehold	-	-	376
11.	Lot 1369, Batu 39½, Jalan Johor, 82000 Pontian, Johor Darul Takzim	101,549/ -	Vacant land	27/07/2015	Agriculture Freehold	-	-	1,015
12.	Lot 2515, Batu 39½, Jalan Johor, 82000 Pontian, Johor Darul Takzim	37,026/ -	Vacant land	27/07/2015	Agriculture Freehold	-	-	370
13.	Lot 591, Persiaran Raja Lumu, Pandamaran Industrial Estate, 42000 Port Klang, Selangor Darul Ehsan	43,560/ 28,908	1½ storey building which we use as warehouse	09/03/2012	Leasehold 99 years	September 2074	27	5,969
14.	Lot 594, Persiaran Raja Lumu, Pandamaran Industrial Estate, 42000 Port Klang, Selangor Darul Ehsan	43,560/ 63,907	3 storey building which we use as office, factory and warehouse	20/10/2003	Leasehold 99 years	September 2074	30	10,567
15.	PTD 8746, Taman Perinudustrian Pontian, 82000 Pontian, Johor Darul Takzim	61,680/ -	Vacant land	14/10/2005	Leasehold 60 years	November 2056	-	782
16.	Land slot No: E1-6 Export Processing Zone, Southern Industrial Estate Village 4, Tumbol Chalung, Amphur Hat Yai, Songkhla, Thailand	64,446/ 37,835	1½ storey building which we use as office, factory and warehouse	30/04/2003	Leasehold 30 years	April 2033	13	2,118
17.	Land slot No: E1-7 Export Processing Zone, Southern Industrial Estate Village 4, Tumbol Chalung, Amphur Hat Yai, Songkhla, Thailand	65,182/ 29,773	Single storey building which we use as office, factory and warehouse	09/02/2003	Leasehold 30 years	February 2036	13	1,764

List of Properties

No.	Address	Land area/ Build up area (Sq ft)	Description/ Existing use	Date of acquisition	Tenure	Year of expiry	Approximate age of buildings (Years)	Net book value at 30 June 2018 (RM'000)
18.	Land slot No: E1-8 Export Processing Zone, Southern Industrial Estate Village 4, Tumbol Chalung, Amphur Hat Yai, Songkhla, Thailand	65,448/ 43,099	Single storey building which we use as warehouse	01/11/2012	Leasehold 30 years	October 2042	4	1,860
19.	Land slot No: E1-9-11 Export Processing Zone, Southern Industrial Estate Village 4, Tumbol Chalung, Amphur Hat Yai, Songkhla, Thailand	194,394/ 105,092	Single storey factory	01/08/2014	Leasehold 30 years	July 2044	3	19,617
20.	Land slot No: E14-15 Export Processing Zone, Southern Industrial Estate Village 4, Tumbol Chalung, Amphur Hat Yai, Songkhla, Thailand	137,778/ 69,406	1½ storey building, which we use vs factory and warehouse	20/10/2016	Leasehold 30 years	October 2046	2	3,817
21.	PTD 8780, PLO8, Jalan Perindustrian, Senai Industrial Estate 1, 81400 Senai, Johor Darul Takzim	174,235/ 76,844	Single storey building which we use as office, factory and warehouse	12/01/1983	Leasehold 60 years	January 2043	33	7,539
22.	PTD 8786, PLO11, Jalan Perindustrian, Senai Industrial Estate 1, 81400 Senai, Johor Darul Takzim	87,123/ 1,956	Single storey building which we use as factory and warehouse	23/09/1985	Leasehold 60 years	September 2045	33	1,771

Analysis of Shareholdings

As at 27 September 2018

ANALYSIS OF SHAREHOLDINGS

Total Issued and Paid-Up Capital (RM)	:	RM281,980,000.00
Total Issued Shares	:	1,002,375,000 Ordinary Shares
Class of Shares	:	Ordinary Share
Voting Rights	:	One vote per ordinary share
Number of Shareholders	:	12,104

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	330	2.73	13,692	0.00
100 - 1,000	1,472	12.16	959,520	0.10
1,001 - 10,000	6,653	54.97	32,888,057	3.28
10,001 - 100,000	3,268	27.00	98,156,726	9.79
100,001 to less than 5% of issued shares	380	3.14	593,982,005	59.26
5% and above of issued shares	1	0.00	276,375,000	27.57
Total	12,104	100.00	1,002,375,000	100.00

LIST OF DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Tan Sri Dato' Seri Utama Arshad Bin Ayub	11,940,000	1.19	3,000,000[(1)]	0.30
Dato' Dr. Ong Eng Long @ Ong Siew Chuan	420,000	0.04	-	-
Goh Leng Kian	36,468,865	3.64	276,948,750[(2)]	27.63
Goh Yen Yen	25,499,956	2.54	276,375,000[(3)]	27.57
Lam Jiuan Jiuan	19,087,456	1.90	353,512,456[(4)]	35.27
Wong Yien Kim	-	-	-	-
Law Ngee Song	258,750	0.03	-	-

CHIEF EXECUTIVE OFFICER'S ("CEO") (WHO IS NOT A DIRECTOR) SHAREHOLDINGS

Name of CEO	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Goh Miah Kiat	26,945,097	2.69	276,375,000[(3)]	27.57

Analysis of Shareholdings

As at 27 September 2018

LIST OF SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name of Shareholders	Direct Holdings		Indirect Holdings (excluding bare trustees)	
	No.	%	No.	%
Karex One Limited	276,375,000	27.57	-	-
Lam Yiu Pang Albert	64,312,456	6.42	308,287,456[5]	30.76
Goh Siang	59,706,352	5.96	3,274,800[6]	0.33
Goh Leng Kian	36,468,865	3.64	276,948,750[2]	27.63
Goh Miah Kiat	26,945,097	2.69	276,375,000[3]	27.57
Goh Yen Yen	25,499,956	2.54	276,375,000[3]	27.57
Goh Yin	24,837,470	2.48	276,375,000[3]	27.57
Lam Jiuan Jiuan	19,087,456	1.90	353,512,456[4]	35.27
Goh Ai Noi	-	-	301,537,456[7]	30.08
Aberdeen Asset Management Plc	-	-	66,765,800[8]	6.66
Standard Life Aberdeen Plc	-	-	66,765,800[8]	6.66
Aberdeen Asset Management Sdn Bhd	-	-	64,107,400[9]	6.40

[1] Deemed interested by virtue of his interest held by Zalaraz Sdn Bhd pursuant to Section 8 of the Companies Act 2016

[2] Deemed interested by virtue of his interest in Karex One Limited pursuant to Section 8 of the Companies Act 2016 and interest held by his spouse pursuant to Section 59(11)(c) of the Companies Act 2016

[3] Deemed interested by virtue of his/her interest in Karex One Limited pursuant to Section 8 of the Companies Act 2016

[4] Deemed interested by virtue of her interest in AJNA Holdings Limited and Karex One Limited pursuant to Section 8 of the Companies Act 2016 and interest held by her spouse pursuant to Section 59(11)(c) of the Companies Act 2016

[5] Deemed interested by his interest in AJNA Holdings Limited pursuant to Section 8 of the Companies Act 2016 and interest held by his spouse

[6] Deemed interested by virtue of interest held by his spouse

[7] Deemed interested by virtue of her interest in Karex One Limited and Jeyya Ltd pursuant to Section 8 of the Companies Act 2016

[8] Deemed interested by virtue of its shareholding in its subsidiaries pursuant to Section 8(4)(c) of the Companies Act 2016

[9] Deemed interested by virtue of its shareholding held by the custodians of the funds managed by Aberdeen Asset Management Sdn Bhd

Thirty Largest Shareholders

As at 27 September 2018

No.	Name of Shareholders	No. of Shares	%
1.	HSBC NOMINEES (ASING) SDN BHD EXEMPT BANK FOR BNP PARIBAS SINGAPORE BRANCH (A/C CLIENTS-FGN)	276,375,000	27.57
2.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GOH SIANG (PB)	46,206,352	4.61
3.	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR LAM YIU PANG ALBERT (PB)	44,312,456	4.42
4.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)	29,200,700	2.91
5.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GOH LENG KIAN (PB)	27,468,865	2.74
6.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GOH MIAH KIAT (PB)	25,500,097	2.54
7.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GOH YEN YEN (PB)	25,499,956	2.54
8.	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR JEYYA LIMITED (PB)	25,162,456	2.51
9.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GOH YIN (PB)	24,837,470	2.48
10.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ABERDEEN)	23,853,700	2.38
11.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (HK BR-TST-ASING)	20,160,000	2.01
12.	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR LAM JIUAN JIUAN (PB)	19,087,456	1.90
13.	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	13,612,500	1.36
14.	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR AJNA HOLDINGS LIMITED (PB)	12,825,000	1.28
15.	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK J.SAFRA SARASIN LTD. SINGAPORE BRANCH (BSCSG) (AC CLIENT FRGN)	11,670,050	1.16
16.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR GOH SIANG (PBCL-0G0200)	11,000,000	1.10
17.	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR MATTHEWS ASIA SMALL COMPANIES FUND	10,820,825	1.08
18.	HSBC NOMINEES (ASING) SDN BHD JPMBL SA FOR SCHRODER INTERNATIONAL SELECTION FUND	9,928,825	0.99
19.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR GOH LENG KIAN (PBCL-0G0199)	9,000,000	0.90
20.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR ARSHAD BIN AYUB (MY1393)	7,440,000	0.74

Thirty Largest Shareholders

As at 27 September 2018

No.	Name of Shareholders	No. of Shares	%
21.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND JNA3 FOR JNL/OPPENHEIMER EMERGING MARKETS INNOVATOR FUND	7,358,000	0.73
22.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR SKANDINAVISKA ENSKILDA BANKEN S.A. (CLT ASSET UCITS)	7,188,050	0.72
23.	UOBM NOMINEES (ASING) SDN BHD BANQUE DE LUXEMBOURG FOR BL EMERGING MARKETS	7,000,000	0.70
24.	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR OPPENHEIMER EMERGING MARKETS INNOVATORS FUND	6,124,550	0.62
25.	AMANAHRAYA TRUSTEES BERHAD PB SMALLCAP GROWTH FUND	5,851,400	0.59
26.	MAYBANK NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR TENAGA NASIONAL BERHAD RETIREMENT BENEFIT TRUST FUND (FM-ABERDEEN) (419500)	5,650,100	0.56
27.	AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND	5,141,300	0.51
28.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NA (AEGON BV)	4,762,600	0.48
29.	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR ORBIS REX LIMITED (PB)	4,523,625	0.45
30.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ARSHAD BIN AYUB	4,500,000	0.45
	Total	**732,061,333**	**73.03**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Sixth Annual General Meeting ("AGM") of Karex Berhad ("Karex" or "Company") will be held at Premiere Hotel, Jalan Langat, Bandar Bukit Tinggi 1, 41200 Klang, Selangor Darul Ehsan on Friday, 30 November 2018 at 10.00 a.m. for the purpose of considering the following businesses:

AGENDA
Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 30 June 2018 together with the Reports of the Directors and the Auditors thereon.

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

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

   (**Ordinary Resolution 1**)

3. To re-elect Wong Yien Kim who is retiring in accordance with the Article 95 of the Company's Constitution, and being eligible, has offered himself for re-election.

   (**Ordinary Resolution 2**)

4. To approve the payment of Directors' fees of RM460,000.00 for the financial year ended 30 June 2018.

   (**Ordinary Resolution 3**)

5. To approve the payment of Directors' Benefits (excluding Directors' Fees) payable to the Directors of the Company and its subsidiaries up to an amount of RM50,000.00 for the financial period from 1 December 2018 to 30 November 2019.

   (**Ordinary Resolution 4**)

6. To approve the payment of a final dividend of 0.5 sen per ordinary share for the financial year ended 30 June 2018.

   (**Ordinary Resolution 5**)

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

   (**Ordinary Resolution 6**)

Special Business

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

8. **Authority to Issue and Allot Shares**

   "THAT subject always to the Companies Act 2016 ("the Act"), Constitution of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/regulatory bodies, where such approval is necessary, authority be and is hereby given to the Directors pursuant to Section 75 of the Act to issue and allot not more than ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company pursuant to Section 76 of the Act and that the Directors be and are hereby further authorised to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof."

   (**Ordinary Resolution 7**)

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

Notice of Annual General Meeting

Notice of Dividend Entitlement and Payment

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at the 6th AGM, a final dividend of 0.5 sen per ordinary share for the financial year ended 30 June 2018, if approved, will be paid on the 20 December 2018 to holders of ordinary shares registered in the Record of Depositors of the Company at the close of business on 7 December 2018.

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

(a) Securities transferred into the Depositor's Securities Account before 4.00 p.m. on 7 December 2018 in respect of transfers; and

(b) Securities bought on the Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of the Bursa Securities.

BY ORDER OF THE BOARD
LIM LEE KUAN (MAICSA 7017753)
TEO MEE HUI (MAICSA 7050642)
Company Secretaries

Selangor Darul Ehsan
Dated this 31st day of October 2018

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint any person as his/her proxy or in the case of a corporation, to appoint a duly authorised representative to attend and vote in his/her/their place. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.

2. The Form of Proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing. If the appointer is a corporation, it must be executed under its common seal or under the hand of its officer or its attorney duly authorised on its behalf.

3. A member may appoint two or more proxies to attend and vote at the general meeting of the Company. Where a member appoints two or more proxies, the appointment of such proxies shall not be valid unless the Member specifies the proportion of his/her shareholding to be represented by each such proxy.

4. The Form of Proxy, together with the power of attorney (if any) under which it is signed or a duly notarial certified copy thereof, must be deposited at the registered office of the Company at 10th Floor, Menara Hap Seng, No. 1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time for holding this meeting or any adjournment thereof.

5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.

6. Depositors whose name appear in the Record of Depositors as at 22 November 2018 shall be regarded as members of the Company entitled to attend the AGM or appoint proxies to attend and vote on his/her behalf in accordance with Articles 55(5) and 55(6) of the Company's Constitution.

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

Notice of Annual General Meeting

Explanatory notes on Ordinary and Special Business

(a) *Item 1 of the Agenda*
Audited Financial Statements for the financial year ended 30 June 2018.

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

(b) *Ordinary Resolutions 3 & 4*
Payment of Directors' fees and benefits made payable to the Directors

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

In this respect, the Board wishes to seek shareholders' approval at the 6th AGM for the payment of Directors' fees and benefit payable to the Directors:

(i) Resolution 3 on the proposed Directors' fees of RM460,000.00 in respect of the financial year ended 30 June 2018;

(ii) Resolution 4 on the payment of Directors' Benefits (excluding Directors' Fees) payable to the Directors of the Company and its subsidiaries up to an amount of RM50,000.00 for the financial period from 1 December 2018 to 30 November 2019. The benefits comprise of the meeting allowance, which will only be accorded based on actual attendance of meetings by the Directors.

(c) *Ordinary Resolution 7*
Authority to Issue and Allot Shares

The proposed Resolution 7 is primarily to seek for the renewal of a general mandate to give flexibility to the Board of Directors to issue and allot shares up to 10% of the issued share capital (excluding treasury shares) of the Company for the time being, at any time in their absolute discretion without convening a general meeting (hereinafter referred to as the "General Mandate").

The Company has been granted a general mandate by its shareholders at the last AGM held on 27 November 2017 (hereinafter referred to as the "Previous Mandate") and it will lapse at the conclusion of the 6th AGM.

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

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

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

Form of Proxy

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

Number of Shares Held	
CDS Account No.	

* I/We ____
NRIC No./Passport No./Company No. ________________________
of ____
____
________________________ being a Member(s) of KAREX BERHAD (1018579-U), hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)
*And/or (delete as appropriate)			

or failing him/her, #THE CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us on *my/our behalf at the Sixth Annual General Meeting of the Company to be held at Premiere Hotel, Jalan Langat, Bandar Bukit Tinggi 1, 41200 Klang, Selangor Darul Ehsan on Friday, 30 November 2018 at 10.00 a.m. or at any adjournment thereof and to vote as indicated below:

Ordinary Resolutions		For	Against
1.	To re-elect Goh Leng Kian as Director of the Company		
2.	To re-elect Wong Yien Kim as Director of the Company		
3.	To approve the payment of Directors' fees.		
4.	To approve the payment of Directors' Benefits (excluding Directors' Fees)		
5.	To approve Final Dividend		
6.	To re-appoint KPMG PLT as Auditors of the Company		
7.	**Special Business** Authority to Issue and Allot Shares		

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

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

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

* Delete if not applicable.

Signed this ________ day of ________ 2018

____
Signature / Common Seal of Shareholder

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint any person as his/her proxy or in the case of a corporation, to appoint a duly authorised representative to attend and vote in his/her/their place. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.

2. The Form of Proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing. If the appointer is a corporation, it must be executed under its common seal or under the hand of its officer or its attorney duly authorised on its behalf.

3. A member may appoint two or more proxies to attend and vote at the general meeting of the Company. Where a member appoints two or more proxies, the appointment of such proxies shall not be valid unless the Member specifies the proportion of his/her shareholding to be represented by each such proxy.

4. The Form of Proxy, together with the power of attorney (if any) under which it is signed or a duly notarial certified copy thereof, must be deposited at the registered office of the Company at 10th Floor, Menara Hap Seng, No. 1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time for holding this meeting or any adjournment thereof.

5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.

6. Depositors whose name appear in the Record of Depositors as at 22 November 2018 shall be regarded as members of the Company entitled to attend the AGM or appoint proxies to attend and vote on his/her behalf in accordance with Articles 55(5) and 55(6) of the Company's Articles of Association.

7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of 6th Annual General Meeting will be put to vote by way of a poll.

8. Any alteration in this form must be initialled.

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AFFIX STAMP

The Company Secretary
KAREX BERHAD (1018579-U)
10th Floor, Menara Hap Seng
No. 1 & 3 Jalan P. Ramlee
50250 Kuala Lumpur
Malaysia

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