

KAREX BERHAD
[Registration No. 201201034091 (1018579-U)]

MINUTES OF THE ELEVENTH ANNUAL GENERAL MEETING (“11TH AGM”) OF KAREX BERHAD CONDUCTED ON A FULLY VIRTUAL AND LIVE-STREAM FROM ONLINE MEETING PLATFORM AT [HTTPS://MEETING.BOARDROOMLIMITED.MY](https://meeting.boardroomlimited.my) (DOMAIN REGISTRATION NO. WITH MYNIC – D6A357657 ON MONDAY, 27 NOVEMBER 2023 AT 10:00 A.M.

PRESENT:

Shareholders and Proxies

As per the Attendance List.

Board of Directors

Dato’ Dr. Ong Eng Long @ Ong Siew Chuan	▪ Chairman, Independent Non-Executive Director
Prof. Dato’ Dr. Adeeba Binti Kamarulzaman	▪ Independent Non-Executive Director
Dato’ Edward Siew Mun Wai	▪ Independent Non-Executive Director
Mr Chew Fook Aun	▪ Independent Non-Executive Director
Ms Lam Jiuan Jiuan	▪ Non-Independent Non-Executive Director
Ms Goh Yen Yen	▪ Non-Independent Non-Executive Director
Mr Goh Leng Kian	▪ Executive Director
Mr Goh Miah Kiat (“MK Goh”)	▪ Executive Director & Chief Executive Officer

In Attendance

Ms Teo Mee Hui	▪ Company Secretary
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By Invitation

Mr Goh Chok Siang (“CS Goh”)	▪ Chief Financial Officer
Mr Lam Shuh Siang	▪ Representative from Messrs. KPMG PLT

1. CHAIRMAN

The Chairman, Dato’ Dr. Ong Eng Long @ Ong Siew Chuan welcomed all present to the 11th AGM of the Company. He informed the Meeting that the 11th AGM was conducted on a fully virtual basis through electronic live-streaming and online remote voting facilities, namely Boardroom’s Online Meeting Platform provided by Boardroom Share Registrars Sdn. Bhd and that the virtual AGM was in compliance with Section 327 of the Companies Act 2016 and Clause 59 of the Constitution of the Company.

The registered shareholders, proxies and corporate representatives were reminded that all discussions transpired at the Meeting were deemed confidential and any form of visual or audio recording taken whilst the live streaming of the 11th AGM was conducted was strictly prohibited unless prior approval from the Company was obtained.

2. QUORUM

The Company Secretary confirmed that a quorum was present pursuant to the Clause 70 of the Company’s Constitution. With the requisite quorum being present, the Chairman called the Meeting to order at 10.00 a.m.

The Chairman then introduced the Board members, the Chief Financial Officer, Company Secretary and the Auditors to the shareholders and proxies accordingly.

3. NOTICE OF MEETING

The Chairman informed the shareholders and proxies that the Company's Annual Report 2023 and Administrative Details on the procedures of the Meeting together with the Notice of Meeting dated 27 October 2023 had been circulated to all shareholders and the notice was duly advertised in The Star newspaper on 27 October 2023 and with the shareholders' permission, the Notice convening the Meeting was taken as read.

4. CEO PRESENTATION ON BUSINESS INSIGHT OF THE GROUP

The Chairman invited the Executive Director and Chief Executive Officer of the Company, Mr MK Goh to give a presentation to the shareholders and proxies regarding the latest developments of the Company.

Mr MK Goh welcomed all the members to the Meeting and presented an overview of the industry, followed by the latest operational highlights which included the expansion of production lines, research and development, regulatory changes, sustainability practices and the progress regarding the Group's glove factory. Mr. MK Goh's presentation then covered the financial highlights for the year as well as the outlook for the business and the industry. Mr MK Goh concluded his presentation with a statement of appreciation for the shareholders, acknowledging their continued support and participation.

5. VOTING PROCEDURES

Before proceeding to the agenda of the Meeting, the Chairman made participants aware of the requirement pursuant to Paragraph 8.29A (1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") where all resolutions set out in the Company's Notice of the 11th AGM will be voted by poll electronically.

The Chairman informed that the Company's Share Registrars, Boardroom Share Registrars Sdn. Bhd. ("Boardroom"), had been appointed to act as the Poll Administrator and would brief the members on the conduct of the poll before the polling started, whilst, SKY Corporate Services Sdn. Bhd. had been appointed to act as the Scrutineers to validate the votes cast at the Meeting. He then invited the Poll Administrator to brief the participants on the procedures for the electronic poll voting and remote poll voting system.

Upon the conclusion of the briefing by the Poll Administrator, the Chairman informed the Meeting that the voting session was available and would remain open until the closure of the voting session to be announced later and the results of the poll voting would be announced after the Scrutineers had verified the poll results.

The Meeting was informed that questions on the proposed resolutions could be posted online and would be addressed during the Question and Answer ("Q&A") session later in the meeting.

6. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

The Audited Financial Statements together with the Reports of the Directors and Auditors for the financial year ended 30 June 2023 ("AFS"), having been circulated to all the members of the Company within the statutory period, were tabled before the Meeting for discussion.

The Chairman informed the Meeting that pursuant to Section 340(1)(a) of the Companies Act 2016, the AFS did not require approval from the shareholders and thus, would not be put forward for voting.

The Chairman declared that the AFS had been properly laid and received in accordance with the Companies Act, 2016 and then proceeded to the next item on the Agenda of the Meeting.

The Meeting was informed that questions on the AFS could be posted online and would be addressed during the Q&A session later in the meeting.

7. ORDINARY RESOLUTION 1

▪ RE-ELECTION OF DIRECTOR: DATO' DR. ONG ENG LONG @ ONG SIEW CHUAN

The Chairman informed the Meeting that the first item on the agenda was to consider the re-election of himself as a Director of the Company and the chairmanship would be passed to Mr MK Goh to proceed accordingly.

Mr MK Goh informed the Meeting that Dato' Dr. Ong Eng Long @ Ong Siew Chuan was subject to retirement by rotation pursuant to Clause 97 of the Constitution of the Company and being eligible, had offered himself for re-election. He added that Dato' Ong's profile was set out in the "Profile of Directors" on page 40 of the Company's Annual Report 2023.

Mr MK Goh proposed the following motion:

"THAT Dato' Dr. Ong Eng Long @ Ong Siew Chuan retiring pursuant to Clause 97 of the Company's Constitution, be re-elected as a Director of the Company."

The Meeting was informed that motion was put aside for voting by poll at a later stage.

Mr MK Goh returned the chairmanship to Dato' Ong Eng Long, to proceed with the next item on the Agenda.

8. ORDINARY RESOLUTION 2

▪ RE-ELECTION OF DIRECTOR: MR GOH MIAH KIAT

The Chairman informed the Meeting that Mr Goh Miah Kiat was subject to retirement by rotation at the Meeting pursuant to Clause 97 of the Constitution of the Company and being eligible, had offered himself for re-election. The Chairman added that Mr MK Goh's profile was set out in the "Profile of Directors" on page 47 of the Company's Annual Report 2023.

The Chairman proposed the following motion:

"THAT Mr Goh Miah Kiat retiring pursuant to Clause 97 of the Company's Constitution, be re-elected as a Director of the Company."

The Chairman then put aside the motion to vote by poll at a later stage and proceeded to the next item on the Agenda.

9. ORDINARY RESOLUTION 3

▪ RE-ELECTION OF DIRECTOR: DATO' EDWARD SIEW MUN WAI

The Chairman informed the Meeting that Dato' Edward Siew Mun Wai was subject to retirement by rotation at the Meeting pursuant to Clause 97 of the Constitution of the Company and being eligible, had offered himself for re-election. The Chairman added that Dato' Edward Siew's profile was set out in the "Profile of Directors" on page 42 of the Company's Annual Report 2023.

The Chairman proposed the following motion:

"THAT Dato' Edward Siew Mun Wai retiring pursuant to Clause 97 of the Company's Constitution, be re-elected as a Director of the Company."

The Chairman then put aside the motion to vote by poll at a later stage and proceeded to the next item on the Agenda.

10. ORDINARY RESOLUTION 4

▪ RE-ELECTION OF DIRECTOR: MR CHEW FOOK AUN

The Chairman informed the Meeting that Mr Chew Fook Aun was subject to retirement by rotation at the Meeting pursuant to Clause 104 of the Constitution of the Company and being eligible, had offered himself for re-election. The Chairman added that Mr Chew Fook Aun's profile was set out in the "Profile of Directors" on page 43 of the Company's Annual Report 2023.

The Chairman proposed the following motion:

"THAT Mr Chew Fook Aun retiring pursuant to Clause 104 of the Company's Constitution, be re-elected as a Director of the Company."

The Chairman then put aside the motion to vote by poll at a later stage and proceeded to the next item on the Agenda.

11. ORDINARY RESOLUTION 5

▪ TO APPROVE THE PAYMENT OF DIRECTORS' FEES

The Chairman informed the Meeting that a sum of RM490,000 was recommended for payment as Directors' Fees for the financial year ended 30 June 2023.

The Chairman proposed the following motion:

"THAT the payment of Directors' Fees amounting to RM490,000 for the financial year ended 30 June 2023 be hereby approved."

The Chairman then put aside the motion to vote by poll at a later stage and proceeded to the next item on the Agenda.

12. ORDINARY RESOLUTION 6

▪ DIRECTORS' REMUNERATION (EXCLUDING DIRECTORS' FEES) AND BENEFITS PAYABLE TO THE BOARD OF THE COMPANY AND ITS SUBSIDIARIES

The Chairman informed the Meeting that a sum of up to RM61,000 was recommended for payment as Directors' Benefits (excluding Directors' Fees) payable to the Board of the Company and its subsidiaries for the financial period from 1 December 2023 until 30 November 2024. This was in order to comply with Section 230(1) of the Companies Act 2016.

The Chairman proposed the following motion:

"THAT the payment of Directors' Remuneration (excluding Directors' Fees) and Benefits payable to the Directors of the Company and its subsidiaries up to an amount of RM61,000 for the period from 1 December 2023 to 30 November 2024 be hereby approved."

The Chairman then put aside the motion to vote by poll at a later stage and proceeded to the next item on the Agenda.

13. ORDINARY RESOLUTION 7

▪ RE-APPOINTMENT OF AUDITORS AND TO AUTHORISE THE DIRECTORS TO FIX THEIR REMUNERATION

The Chairman then proceeded with the next item on the agenda on the re-appointment of Messrs KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.

It was noted that Messrs KPMG PLT had indicated their willingness to continue in office.

The Chairman proposed the following motion:

"THAT Messrs KPMG PLT be hereby re-appointed as auditors of the Company for the ensuing year AND THAT the Board of Directors be hereby authorised to fix their remuneration."

The Chairman then put aside the motion to vote by poll at a later stage and proceeded to the next item on the Agenda.

SPECIAL BUSINESS

14. ORDINARY RESOLUTION 8

▪ AUTHORITY TO ISSUE AND ALLOT SHARES

The Chairman informed that Ordinary Resolution 8, if passed, would authorise the Directors of the Company to issue an aggregate number of shares of not more than ten percent (10%) of the issued share capital of the Company subject to the approvals of all the relevant governmental/regulatory bodies and that the authorisation would expire at the conclusion of the next AGM of the Company.

It was noted that the renewal of General Mandate was to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain shareholders' approval to avoid incurring additional cost and time. The proceeds raised from the General Mandate would provide flexibility to the Company for any possible fund-raising activities, including but not limited to further placement of shares, for purpose of funding current and/or future investment project(s), working capital, repayment of borrowings and/or acquisition.

The Chairman proposed the following motion:

"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 ("Mandate")."

THAT pursuant to Section 85 of the Companies Act 2016, to be read together with Clause 54 of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares of the Company ranking equally to the existing issued shares of the Company arising from any issuance of new shares in the Company pursuant to this Mandate.

AND THAT the new shares to be issued shall upon allotment and issuance, rank equally in all respects with the existing shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution which may be declared, made or paid before the date of allotment of such new shares.”

The Chairman then put aside the motion to vote by poll at a later stage and proceeded to the next item on the Agenda.

15. ORDINARY RESOLUTION 9

▪ CONTINUATION IN OFFICE OF INDEPENDENT NON-EXECUTIVE DIRECTOR

The Chairman then proceeded to the Special Business of the Agenda, to consider the proposed Ordinary Resolution 9 in relation to the Continuation in Office of Dato’ Dr Ong Eng Long @ Ong Siew Chuan as Independent Non-Executive Director.

The Chairman informed the Meeting that as Ordinary Resolution 9 is in relation to his continuation in office as an Independent Non-Executive Director, the Chairmanship would be passed to Mr MK Goh to proceed accordingly.

Mr MK Goh informed the Meeting that the proposed Ordinary Resolution 9 was to seek shareholders’ approval for Dato’ Dr Ong Eng Long @ Ong Siew Chuan to continue in office as Independent Non-Executive Directors of the Company as his tenures had exceeded a cumulative term of more than nine (9) years, in accordance with the Malaysian Code on Corporate Governance 2021.

He further informed the Meeting that the Board of Directors had deliberated and assessed the independence of Dato’ Dr Ong Eng Long @ Ong Siew Chuan and had recommended him to continue to act as Independent Non-Executive Director of the Company based on the justifications as set out in the Explanatory Notes in the Notice of the AGM of the Company.

The voting process on this proposed resolution shall be carried out by two tier voting in accordance with Practice 5.3 of the Malaysian Code on Corporate Governance 2021. Under the two-tier voting process, shareholders’ votes will be cast in the following manner:-

- a) Tier 1: Only the Large Shareholder(s) of the Company to vote; and
- b) Tier 2: Shareholders other than Large Shareholders to vote.

The resolution was deemed successful if both Tier 1 and Tier 2 votes support the proposed resolution.

Mr MK Goh then proposed the following motion:

“THAT approval be and is hereby given to Dato’ Dr. Ong Eng Long @ Ong Siew Chuan who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company.”

Mr MK Goh then put aside the motion to vote by poll at a later stage and returned the Chairmanship to Dato' Ong Eng Long to proceed with the next item on the Agenda.

16. ANY OTHER BUSINESS

There being no notice of any other business for transacting at the Meeting received, the Chairman proceeded with the Questions and Answers session.

17. QUESTIONS AND ANSWERS SESSION

The Chairman informed that in the interest of time, the Board might not be able to address all questions received. Hence, similar questions will be grouped and combined, to avoid repetition and may be summarised for expediency. He also added that if there were any questions that were not answered at the Meeting, the Management would answer the questions via the Member's registered e-mail or post it on the Company's Website.

The questions raised by the Minority Shareholders Watch Group, and shareholders/proxies together with the responses from the Board of Directors and Management are set out in Appendix I as attached to the Minutes.

Upon the conclusion of the Questions and Answers session, the Chairman proceeded with the voting process.

18. POLLING

The Chairman announced that the Members were given approximately 10 minutes to complete the casting of their votes and immediately after, the Meeting would be adjourned for 20 minutes for the Poll Administrator to compute and for the Scrutineer to verify the casted votes respectively.

Accordingly, following the completion of computation of the votes and being verified by the Scrutineers, the Chairman called the Meeting to order and announced the poll results as detailed hereunder: -

Resolution	For		Against	
	No. of Votes	%	No. of Votes	%
Ordinary Resolution 1 <ul style="list-style-type: none"> Re-election of Director – Dato' Dr. Ong Eng Long @ Ong Siew Chuan 	512,758,816	78.4906	140,515,540	21.5094
Ordinary Resolution 2 <ul style="list-style-type: none"> Re-election of Director – Mr Goh Miah Kiat 	653,193,486	99.9876	80,870	0.0124
Ordinary Resolution 3 <ul style="list-style-type: none"> Re-election of Director – Dato' Edward Siew Mun Wai 	650,912,086	99.6348	2,362,270	0.3616

Resolution	For		Against	
	No. of Votes	%	No. of Votes	%
Ordinary Resolution 4 <ul style="list-style-type: none"> Re-election of Director – Mr Chew Fook Aun 	653,173,986	99.9846	100,370	0.0154
Ordinary Resolution 5 <ul style="list-style-type: none"> Payment of Directors' Fees 	650,645,443	99.5976	2,628,913	0.4024
Ordinary Resolution 6 <ul style="list-style-type: none"> Payment of Directors' Remuneration (excluding Directors' Fees) and Benefits 	650,645,008	99.5990	2,169,248	0.4010
Ordinary Resolution 7 <ul style="list-style-type: none"> Re-appointment of Messrs KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration 	653,095,588	99.9742	168,768	0.0258
Ordinary Resolution 8 <ul style="list-style-type: none"> Authority to Issue and Allot Shares 	650,729,377	99.6120	2,534,979	0.3880
Ordinary Resolution 9 <ul style="list-style-type: none"> Continuation in Office as an Independent Non-Executive Director - Dato' Dr. Ong Eng Long @ Ong Siew Chuan 				
<ul style="list-style-type: none"> - Tier 1 - Tier 2 	190,409,000 322,268,487	100 69.6262	0 140,586,869	0.00 30.3738

Thereafter, the Chairman declared the results as follows: -

Resolutions	Outcome of Poll Results
Ordinary Resolution 1	Carried
Ordinary Resolution 2	Carried
Ordinary Resolution 3	Carried
Ordinary Resolution 4	Carried
Ordinary Resolution 5	Carried
Ordinary Resolution 6	Carried
Ordinary Resolution 7	Carried
Ordinary Resolution 8	Carried
Ordinary Resolution 9	Carried

The following resolutions were resolved at the 11th AGM of the Company:-

Ordinary Resolution 1

“THAT Dato Dr. Ong Eng Long @ Ong Siew Chuan retiring pursuant to Clause 97 of the Company’s Constitution, be re-elected as a Director of the Company”.

Ordinary Resolution 2

“THAT Mr Goh Miah Kiat retiring pursuant to Clause 97 of the Company’s Constitution, be re-elected as a Director of the Company”.

Ordinary Resolution 3

“THAT Dato’ Edward Siew Mun Wai retiring pursuant to Clause 97 of the Company’s Constitution, be re-elected as a Director of the Company”.

Ordinary Resolution 4

“THAT Mr Chew Fook Aun retiring pursuant to Clause 104 of the Company’s Constitution, be re-elected as a Director of the Company”.

Ordinary Resolution 5

“THAT the payment of Directors’ Fees amounting to RM490,000 for the financial year ended 30 June 2023 be hereby approved”.

Ordinary Resolution 6

“THAT the payment of Directors’ Remuneration (excluding Directors’ fees) and benefits payable to the Directors of the Company and its subsidiaries up to an amount of RM61,000 for the period from 1 December 2023 to 30 November 2024, be hereby approved”.

Ordinary Resolution 7

“THAT Messrs KPMG PLT be hereby re-appointed as auditors of the Company for the ensuing year AND THAT the Board of Directors be hereby authorised to fix their remuneration”.

Ordinary Resolution 8

“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 (“Mandate”).

THAT pursuant to Section 85 of the Companies Act 2016, to be read together with Clause 54 of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares of the Company ranking equally to the existing issued shares of the Company arising from any issuance of new shares in the Company pursuant to this Mandate.

AND THAT the new shares to be issued shall upon allotment and issuance, rank equally in all respects with the existing shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution which may be declared, made or paid before the date of allotment of such new shares.”

Ordinary Resolution 9

“THAT approval be and is hereby given to Dato’ Dr. Ong Eng Long @ Ong Siew Chuan who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company.”

19. CLOSURE

There being no other business, the Meeting concluded at 12:05 p.m. with a vote of thanks to the Chair and all present thereat.

CONFIRMED AS CORRECT RECORD OF THE PROCEEDINGS THEREAT

- Signed -

CHAIRMAN

Dato’ Dr. Ong Eng Long @ Ong Siew Chuan

**SUMMARY OF KEY MATTERS DISCUSSED AT THE
11TH ANNUAL GENERAL MEETING HELD ON MONDAY, 27 NOVEMBER 2023**

The Chairman welcomed questions from the floor and the following questions were raised and discussed:-

A. Issues raised by the Minority Shareholders Watch Group ("MSWG")

The Chairman informed the Meeting that the Company had received a letter from the MSWG prior to the AGM on the following questions and the Executive Director and Chief Executive Officer, Mr Goh Miah Kiat responded as follows:-

Operational & Financial Matters

- 1. Regularisation of logistics networks enabled better planning of raw material inventories and product deliveries to customers, ultimately resulting in an improvement in aggregate gross profit margins ("GPM") which surpassed 25% for the first time since the financial year ended 30 June 2020. (Page 12 of AR 2023)**

- a) Based on the current outlook for the Group's key input cost, what is the prospect of maintain or further improving the GPM?**

The ability to maintain or improve our GPM will depend in part on prevailing macroeconomic factors. Notwithstanding that, the recent regularisation of global supply chain networks has enabled us to continue to improve our GPM as evidenced by our most recent quarterly results.

For reference, we announced the financial results for our first quarter ended 30 September 2023 on Friday, 24 November 2023, during which we reported a GPM of more than 30% and our highest ever quarterly profit after tax since March 2017.

- b) Moving forward, which areas of improvement will be the focus for the Group to return to 30% GPM as previously achieved by the Group in FY2017?**

The Group intends to leverage on our investments in innovation that are expected to result in the development of new product offerings. This is expected to be one of the most significant factors in allowing us to obtain better pricing for our products in the future. In addition to this, we intend to intensify our efforts to identify areas of savings in our operations to effectively control costs and improve efficiencies moving forward.

- c) There is reported news that the Group is set to launch new condom products i.e. graphene condoms and synthetic condoms in FY2024. What would be the estimated range of GPM of these new products as compared to the existing latex condoms?**

As we are still in the process of launching these products, the estimated GPM is hard to ascertain and would not be representative of the potential of these products at higher scales of production. As market awareness for these products improves and we successfully establish economies of scale, we are confident that these products will have a higher GPM than our latex condoms.

A significant factor that has led to an improvement in aggregate GPM recently is the fact that our sales have been increasingly derived from the commercial market and our own brands. Sales to these markets typically have a higher GPM in comparison to tender market sales, even for latex condoms.

2. The total of inventories allowances, written down & written off increased by RM3.28 million as compared to the previous year.

	FY2023 (RM ('000))	FY2022 (RM ('000))
Allowance for slow moving	3,355	1,007
Written down to net reliable value	912	635
Written off	985	331
Total	5,225	1,973

(Source: Page 122 of AR 2023)

The Group had initiated improvement on the inventory management system i.e., centralised packing operations, and improvement to enterprise resource planning.

Please shed some light on the outcome of these improvement initiatives. Has the Group reduced the over-production?

The increase in inventory allowances mentioned are due in most part to stock ageing past the two-year threshold. These have been appropriately provided for as per our policy on inventory provisions.

As mentioned, we have been gradually implementing measures to improve our inventory management systems. Some of the more significant initiatives include the construction of new central warehouse facilities that will be fully operational in the upcoming financial year as well as improving our enterprise resource planning systems and reorganising of our Group Planning department.

Despite the significant increase in overall group sales during the year that resulted in higher working capital requirements, these measures have resulted in a reduction in inventory turnover period from 169 days in FY2022 to 145 days in FY2023.

3. As at 30 June 2023, the Group recorded construction-in-progress of RM20.34 million relating to condom production facilities, glove manufacturing facilities and other machineries which are in the process of being built. (Pages 105 & 106 of AR2023)

a) What is the current production capacity of condom production facilities?

The Group has a total condom production capacity of approximately 5.5 billion pieces per year.

b) Please elaborate on the condom production facilities that are in the process of being built. (i.e., status, location, production capacity, etc)

At present, the major upgrades that are taking place to our condom production facilities include the construction of new warehouse facilities and condom dipping lines at our Hat Yai, Thailand facility as well as machinery upgrades at our Pontian, Johor facility.

The condom dipping lines that are being constructed are intended to be used for new products including the production of synthetic condoms. As this is our first venture into these types of products, we will only be able to determine an accurate production capacity of these lines once commercial production commences.

c) What is the total capital expenditure that the Group had invested in glove manufacturing?

The total capital expenditure that has been invested into glove manufacturing to date amounts to approximately USD 10 million. This includes the investment in the buildings, machinery as well as the requisite support facilities.

d) Has the Group started gloves commercial production?

Having obtained approval from the United States Food and Drug Administration in September 2023, we have recently commenced the commercial production of gloves. However, due to the current oversupply situation in international markets, we are not expecting a significant financial contribution from this new product division during the upcoming financial year.

Corporate Governance Matters

4. Dato' Dr. Ong Eng Long @ Ong Siew Chuan, the Independent Chairman has already served the Board as an independent director for 10 years.

The enhanced Listing Requirements now limits the tenure of an independent director to not more than a cumulative tenure of 12 years in a listed issuer and its group of corporations.

Has the Board started the succession planning for the Chairman position?

The Board is aware of the circumstances and relevant Listing Requirements pertaining to Dato' Dr. Ong Eng Long @ Ong Siew Chuan's position as an independent director of Karex Berhad. Succession planning has been discussed during Board meetings including specifically during our recent Nomination Committee meeting.

B. Questions raised by other shareholders/proxies

The following questions were raised by the shareholders/proxies at the Company's 11th AGM and Mr Goh Miah Kiat responded as follows:-

1. Shareholders requested clarification on the Company's policy regarding e-vouchers or other tokens of appreciation for attending the 11th AGM.

Management's response:

There would be no e-voucher provided to shareholders/proxies for attending the Company's virtual general meetings. The Company would consider giving door gifts at the Company's physical general meetings in the future.

2. How are the sales of graphene condoms in the US? Please provide an update on any synthetic condom offerings and the expected timeline to launch these products moving forward?

Management's response:

The Group has already launched graphene condoms together with Walgreens in US under the ONE® Condoms brand in a product called "FLEX". As the raw material i.e., graphene is rather limited and is currently being produced internally, the Group intends to expand the production capacity but this would require additional capital expenditure investment.

The Group's graphene condoms have already received approval from the United States Food and Drugs Administration ("US FDA") and Karex intends to make inroads into other markets such as the European market. Under new regulations in Europe, any medical devices made from nano materials requires the approval of the Medical Devices Authority ("MDA"). The Group has completed the requisite clinical studies and are in the midst of providing the data to the relevant regulators. Karex is confident that certification could be obtained in the first half of 2024, facilitating a gradual roll-out of graphene condoms in stages. FLEX has received excellent response from customers who have tried it, and ONE® Condoms continues to maintain a very strong online presence in the US.

Regarding synthetic condom offerings, the Group has completed the final clinical studies and are in the process of providing the final data to the US FDA for approval. Karex expects to receive the approval in the first half of 2024 ("1H 2024") and intends to launch the product in different phases to other markets. This would require certification from other countries, in addition to US FDA approval.

3. How would Karex be affected by the depreciation of Ringgit Malaysia against the US dollar ("USD")?

Management's response:

As an exporter, Karex is in an advantageous position as its manufacturing costs are denominated in local currencies whilst revenues are denominated in USD. However, the overall impact of a depreciating Ringgit Malaysia was also offset by some of the USD borrowings of the Company.

4. How is the personal lubricant business expected to contribute to the overall revenue of the Group?

Management's response:

Personal lubricants contribute to approximately 10% of overall Group revenue and have been growing at a very fast pace. The growth has mainly come from the US market because the US FDA has been actively enforcing new rules to regulate the market.

Karex remains confident and positive on the outlook for the lubricant business in the upcoming years as Karex had been capturing the business through both its own brands and the commercial market, including from the chain stores in US and Europe, such as Walmart in US and Tesco in UK.

In terms of the tender market, the lubricant business was also growing as global non-governmental organisations ("NGO") who have been distributing condoms, are looking into a more targeted approach to combat against global HIV / AIDs. NGOs identified a critical need for personal lubricants in high-risk demographics including sex workers and the MSM (men having sex with men) community. There has accordingly been an increase in the purchase of lubricants by these NGOs in tandem with condom purchases.

5. As mentioned earlier, "*Karex has seen many of our customers have been depleting their inventories over the last few years*", could you please elaborate further on this statement and how Karex intends to capture new markets left available from the pandemic?

Management's response:

Generally, condoms have a shelf life of five (5) years. Given that condoms are a medical device as well as a highly regulated consumer product, it will take time for the orders to be produced, shipped as well as approved by regulators in order to have the product placed in the market.

In view of the cumbersome process and time required to market the product, it typically takes between 6-8 months before the final product is seen on shelves. As such, customers would usually carry a bit of stock to ensure that they have sufficient stock. However, there were lesser purchases from global distributors for the past 3 years due to the uncertainty of the business as the amount of sexual activities had dropped globally due to social distancing and restrictions to interaction coupled with high shipping costs during the pandemic, thereby depleting their inventories.

However, with the supply chains and freight rates returning to normalcy, customers are placing additional orders and the demand in the market has increased tremendously following the pandemic. In view of Karex's reputation as a global manufacturer, the Group has also been receiving enquiries from customers of manufacturers that have gone out of business during the pandemic. This in conjunction with participation at global exhibitions has allowed the Group to capture new opportunities.

6. How are new products developed in Karex? Are they developed in co-ordination with customers? Who bears the costs of the development?

Management's response:

The product development process in Karex includes ideas from the marketing team, global offices and feedback from customers in different markets. The team at Karex typically begins a development process by conducting discussions with customers with regards to their requirements. They then proceed to work with the R&D team to devise an ideal solution to meet customers' needs. Consumer surveys would also be conducted to understand the market to ensure that our customers and the marketing team are able to effectively offer the new product to their intended audience.

7. Is the Company concerned about new manufacturers setting up?

Management's response:

There are actually less manufacturers setting up and more shutting down in the current period, both locally and globally due to the stringent regulations and difficulties in obtaining regulatory approvals as well as rising energy costs. Many manufacturers were not able to cope with the decrease in condom demand whilst maintaining their certifications during the pandemic and have shut down as a result. Recently in Europe, even more are shutting down mainly due to rising energy costs due to the war in Ukraine.

8. Please provide an update on the status of the glove manufacturing venture and the condoms that have been recently approved as of the last AGM for anal sex.

Management's response:

Regarding glove segment, Karex recently obtained US FDA approval and has begun a very low level of commercial production. This is not expected to be a significant contributor to the Group in the near future until the global oversupply situation is resolved.

Karex's strategy within the glove segment is to leverage on its global clientele to offer gloves to the retail segment within the medical device industry. This segment is expected to grow following the pandemic in light of the heightened awareness regarding personal hygiene. Karex intends to leverage on its expertise as a medical device manufacturer that also has the ability to offer customers assurance regarding its social compliance and sustainability accreditations. This has allowed it to remain as an approved supplier to many chain and retail stores around the world.

In terms of condoms business, the approval from the US FDA on Karex condom for anal sex has helped Karex's own brand segment to grow especially in the US. The sales of ONE® Condoms specifically have been growing each year. There remains opportunity in the market as Karex is the only condom manufacturer and brand in the US who could put a claim on "Safe for Anal Sex Use", on our packaging. This has helped Karex to elevate the status of our own brand segment and gain recognition in new market channels.

9. Could you elaborate on the higher cost of social compliance and who actually bears these costs?

Management's response:

Social compliance costs are typically borne by Karex as a manufacturer especially when it concerns audit and remediation expenses.

In the past, the Group had hired migrant workers like many other manufacturers in Malaysia. However, after the experiences of recent years, we have determined that there is systemic problem with the procurement practices that could place the Company in a disadvantageous position in a longer term.

As a result, Karex has taken the difficult decision to cease the hiring of new migrant workers since 2019. Karex continues to enforce this policy even as remediation measures have successfully been completed. This is to ensure that we remain in full compliance with international labour practice standards and future social audits.

10. Could you provide details of some new products within the personal lubricant segment and when these new products are expected to launch?

Management's response:

Karex has always been a major producer of water-based personal lubricants and there are quite a few lubricant products that have been doing well, especially in US, where the silicon-based lubricant is also offered under our own brands. The ability to eventually open up this product to other brands will definitely help Karex to grow the personal lubricant business. In addition, Karex is currently looking at producing and launching hybrid lubricants, natural lubricants, etc.

Other products that are currently being developed by the Group include fertility lubricants for people who do not use condoms and instead are trying to conceive children. These lubricants are intended to assist couples to improve their chances of conceiving a child. There are many aspects of personal lubricants that the Group hopes to continue to develop in the upcoming years.

11. As mentioned in the last AGM, condom consumption during the pandemic was reduced by 30% to 40% using pre-covid level as a gauge. What is your opinion on demand in the market at present? Has it returned to pre-covid levels?

Management's response:

Demand has returned to pre-covid levels globally and has been very strong with many markets reopening and resuming normal social activities.

12. Could you please elaborate on Company's dividend policy and what can shareholders expect for the upcoming year?

Management's response:

The Company has a dividend policy whereby a minimum of 25% of profit after tax will be distributed as dividend to shareholders. On 24 November 2023, the Company declared an interim dividend for the financial year ending 30 June 2024.

The Board is confident about the Company's future and intends to increase the amount of dividends paid to shareholders as the Company continues to improve its profitability.

13. Will Karex consider any merger and acquisition ("M&A") opportunities to accelerate expansion of its business?

Management response:-

Karex does not see any M&A opportunities at the current moment but will consider them if an opportunity to capture a particular market or product presents itself.

13. What are the potential challenges and risks to the future of Karex and how does the Company expect to manage them moving forward?

Management response:

The Company has an established risk management committee that has been constantly looking into managing the risks debated at Board level. There are also many business risks that the Company has to deal with such as global currency risk, social compliance risk, health and safety risk, etc.

For example, whilst the recent strengthening of USD is beneficial to Karex as an exporter, the Company continues to keep abreast of analysis to manage the exposure of its foreign currency risk. It is difficult to predict the movement of the global currency and there is still a significant impact to the business, hence, global currency risk remains a significant risk to the Company.

In terms of social compliance risk, Karex has to ensure adequate measures are in place to mitigate the risk in order to avoid reputation damage and loss of business. This involves remediation measures as well as maintaining preventive measures by working closely with NGOs. In addition, the Company is looking into incorporating higher degrees of automation to reduce its dependency on physical labour. This will also help to ease the burden of rising wages and costs associated with compliance to global labour standards and social compliance practices.

The Company also actively monitors its working conditions to ensure that health and safety risks are minimised and staff are always afforded a comfortable work environment.

The Company has taken necessary actions to ensure that the Company is sufficiently guarded against the identified risks. These measures have resulted in higher recurring costs and the Company intends to continue to adjust the selling price of its products accordingly.