annual report 2021

karex

Our Mission

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

Our Vision

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

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Corporate Information

BOARD OF DIRECTORS

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

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

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

Dato' Edward Siew Mun Wai
Independent
Non-Executive Director

Wong Yien Kim
Independent
Non-Executive Director

Lam Jiuan Jiuan
Non-Independent
Non-Executive Director

Goh Yen Yen
Non-Independent
Non-Executive Director

Goh Leng Kian
Executive Director

Goh Miah Kiat
Executive Director
Chief Executive Officer

AUDIT COMMITTEE

Wong Yien Kim
Chairman
Independent
Non-Executive Director

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

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

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

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

RISK MANAGEMENT COMMITTEE

Lam Jiuan Jiuan
Chairwoman
Non-Independent
Non-Executive Director

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

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

Goh Miah Kiat
Member
Executive Director
Chief Executive Officer

Goh Chok Siang
Member
Chief Financial Officer

REMUNERATION COMMITTEE

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

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

Goh Yen Yen
Member
Non-Independent
Non-Executive Director

NOMINATION COMMITTEE

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

Wong Yien Kim
Member
Independent
Non-Executive Director

Lam Jiuan Jiuan
Member
Non-Independent
Non-Executive Director

Corporate Information

COMPANY SECRETARIES

Lim Lee Kuan
(SSM PC No. 202008001079)
(MAICSA 7017753)

Teo Mee Hui
(SSM PC No. 202008001081)
(MAICSA 7050642)

Elizabeth Allison De Zilva
(SSM PC No. 202008002112)
(MAICSA 7030086)

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MANAGEMENT OFFICE

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Selangor Darul Ehsan
Malaysia
Tel : +603-3165 6688
Fax : +603-3166 2000
Email : karex@karex.com.my

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd (199601006647 (378993-D))
11th Floor, Menara Symphony
No. 5, Jalan Professor Khoo Kay Kim
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Selangor Darul Ehsan
Malaysia
Tel : +603-7890 4700
Fax : +603-7890 4670

AUDITORS

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
Level 3, CIMB Leadership Academy
No. 3, Jalan Medini Utara 1
Medini Iskandar
79200 Iskandar Puteri
Johor, Malaysia
Tel : +607-266 2213
Fax : +607-266 2214

BANKERS

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

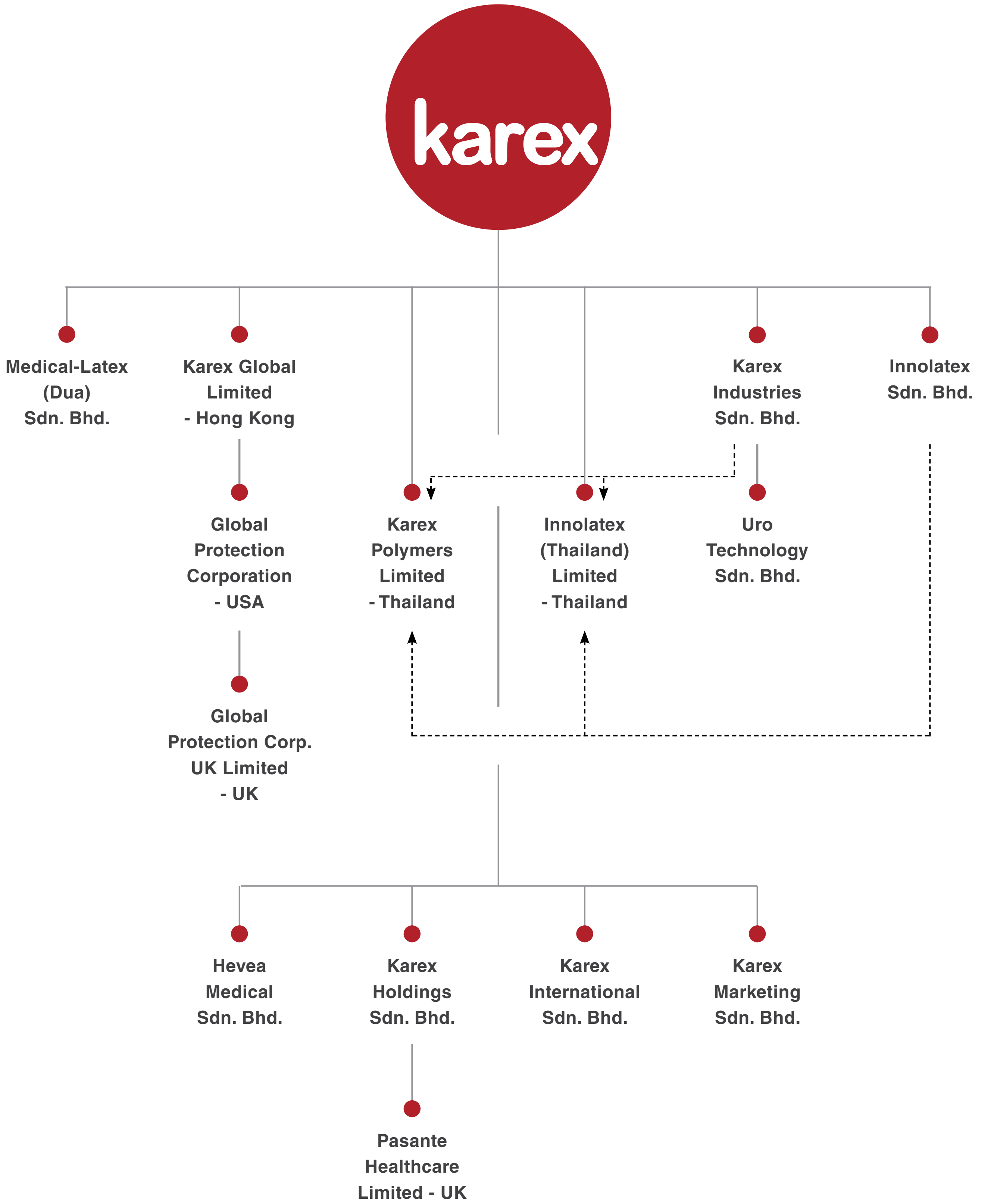
STOCK EXCHANGE LISTING

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

Corporate Structure

As at 30 September 2021

100%   1 share



Key Strategies

CORE COMPETENCIES

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

INNOVATION

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

BRANDING

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

HUMAN CAPITAL

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

Financial Highlights

		FINANCIAL YEAR ENDED 30 JUNE				
		2017	2018	2019	2020	2021
	Financial Performance (RM'000)					
(i)	Revenue	361,452	409,591	378,484	395,067	**419,816**
(ii)	Profit/ (Loss) before tax	37,049	14,446	3,804	5,192	**(534)**
(iii)	Profit/ (Loss) attributable to owners of the Company	27,946	10,229	2,533	228	**(1,020)**
	Financial Position (RM'000)					
	Assets					
(i)	Total tangible assets	496,841	488,984	498,534	524,299	**579,262**
(ii)	Net assets	496,644	483,140	491,032	480,149	**465,756**
(iii)	Current assets	294,840	277,500	275,885	273,577	**292,469**
	Liabilities and Shareholders' Funds					
(i)	Current liabilities	75,801	81,249	85,368	106,960	**157,744**
(ii)	Paid-up share capital	281,980	281,980	281,980	281,980	**324,244**
(iii)	Shareholders' funds	496,644	483,140	491,032	480,149	**465,756**
	Per Share					
(i)	Basic earning/ (loss) (sen) *	2.79	1.02	0.25	0.02	**(0.10)**
(ii)	Net assets (RM) **	0.50	0.48	0.49	0.48	**0.44**
	* Based on weighted average number of shares issued ('000)	1,002,375	1,002,375	1,002,375	1,002,375	**1,028,828**
	** Based on number of shares issued ('000)	1,002,375	1,002,375	1,002,375	1,002,375	**1,053,461**
	Financial Ratios					
(i)	Return on total tangible assets (%)	5.62	2.06	0.51	0.04	**(0.18)**
(ii)	Return on shareholders' funds (%)	5.63	2.09	0.52	0.05	**(0.22)**
(iii)	Current ratio (times)	3.89	3.42	3.23	2.56	**1.85**
(iv)	Gearing ratio (times)	0.04	0.06	0.07	0.11	**0.25**
(v)	Gearing ratio net of cash (times)	N/A[a)]	N/A[a)]	N/A[a)]	0.01	**0.13**

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

Financial Highlights

REVENUE
(RM'000)

2021	**419,816**
2020	395,067
2019	378,484
2018	409,591
2017	361,452

PROFIT/ (LOSS) BEFORE TAX
(RM'000)

2021	**(534)**
2020	5,192
2019	3,804
2018	14,446
2017	37,049

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

2021	**(1,020)**
2020	228
2019	2,533
2018	10,229
2017	27,946

BASIC EARNING/ (LOSS) PER SHARE
(Sen)

2021	**(0.10)**
2020	0.02
2019	0.25
2018	1.02
2017	2.79

NET ASSETS
(RM'000)

2021	**465,756**
2020	480,149
2019	491,032
2018	483,140
2017	496,644

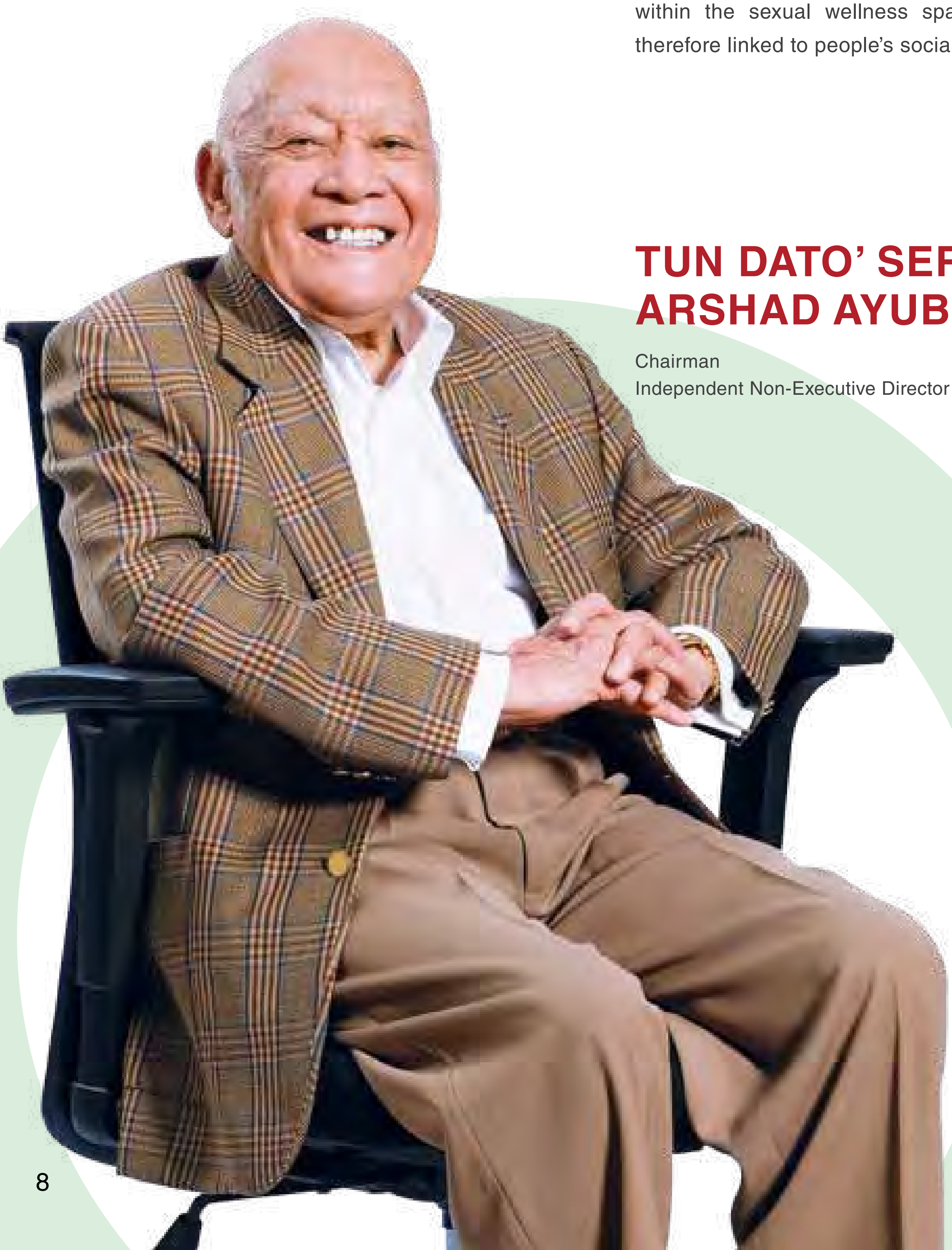
NET ASSETS PER SHARE
(RM)

2021	**0.44**
2020	0.48
2019	0.49
2018	0.48
2017	0.50

Chairman's Statement

DEAR FELLOW SHAREHOLDERS,

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



TUN DATO' SERI ARSHAD AYUB

Chairman
Independent Non-Executive Director

Chairman's Statement

▲ 6%

Revenue

RM419.8M

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

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

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

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

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

Tun Dato' Seri Arshad Ayub
Chairman

CEO's Management Discussion & Analysis

INDUSTRY OVERVIEW

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

MK GOH

Chief Executive Officer

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

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

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

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

OPERATIONAL HIGHLIGHTS

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

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

CEO's Management Discussion & Analysis

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

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

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

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

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

FINANCIAL REVIEW

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

CEO's Management Discussion & Analysis

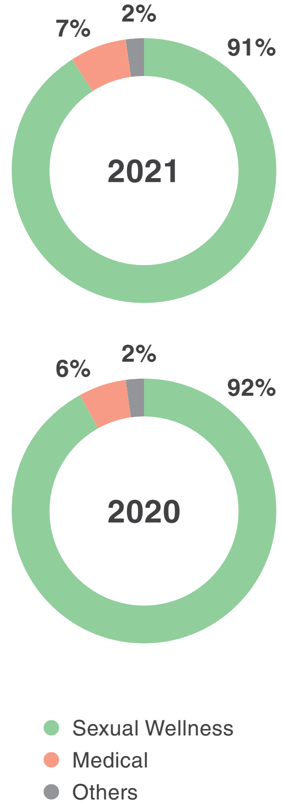
Our Malaysian operations were further disrupted during the year by a worsening of the COVID-19 situation in Malaysia that required the Malaysian government to mandate two additional Movement Control Orders in the first half of 2021. These restrictions not only prevented us from operating at optimum capacity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

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

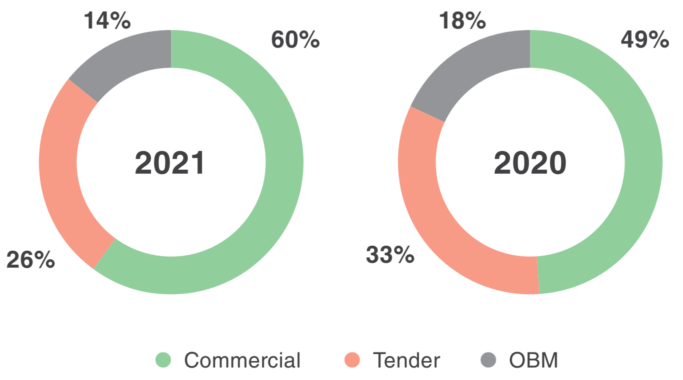
As a result of having to manage these supply chain issues, total inventory stood at RM131.2 million at the end of FY2021, representing an increase of approximately 1.8% from the previous financial year. The elevated totals included buffer stocks that we had to keep on hand in order to avoid manufacturing disruptions compared to pre-pandemic levels. Moreover, many of our shipments to customers were classified as in-transit for lengthy periods of time as a result of the many ports and distribution hubs that were overwhelmed during the year.

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

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



CEO's Management Discussion & Analysis



Product Divisions

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

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

Market Segments

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

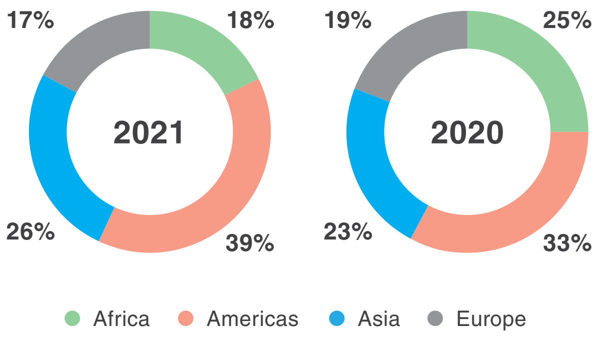
The Commercial segment comprising of orders whereby we provide input into the design and manufacture of other brand owner products continued to grow at a rapid pace during the year. Much of this growth was catalysed by brands that shifted from traditional retail to online platforms in order to offer customers alternative means to purchase products during restrictions. Increasingly, new and existing customers put their trust in us to develop their brand presence, requiring our teams to work closely alongside them in order to develop offerings under tight production schedules. The sales milestones in this segment are a testament to the improvements that we have made as a world-leading manufacturer to ensure that our products are competitively priced and that we are able to offer our customers the widest range of product varieties and packaging possible.

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

Geographical Regions

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

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



CEO's Management Discussion & Analysis

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

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

OUTLOOK

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

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

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

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

ACKNOWLEDGEMENTS

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

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

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

MK Goh
Chief Executive Officer

Sustainability Statement

SCOPE AND BOUNDARIES

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

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

OUR APPROACH TO SUSTAINABILITY

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

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

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

Moreover, all our manufacturing facilities have during the year undertaken a comprehensive four pillar Sedex Members Ethical Trade Audit (SMETA) audit. Sedex is an internationally recognised, independent, not for profit organisation that aims to improve ethical and responsible business practices in global supply chains. The four pillar audit covers labour standards, health and safety, management systems, business ethics and an environmental assessment. These audits are aimed at achieving greater visibility in our supply chain, improving our supplier relations and receiving an independent verification of our ethical compliance.

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

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

SUSTAINABILITY GOVERNANCE

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

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

Risk Management Working Committee

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

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Risk Management Committee

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

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Board of Directors

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

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.

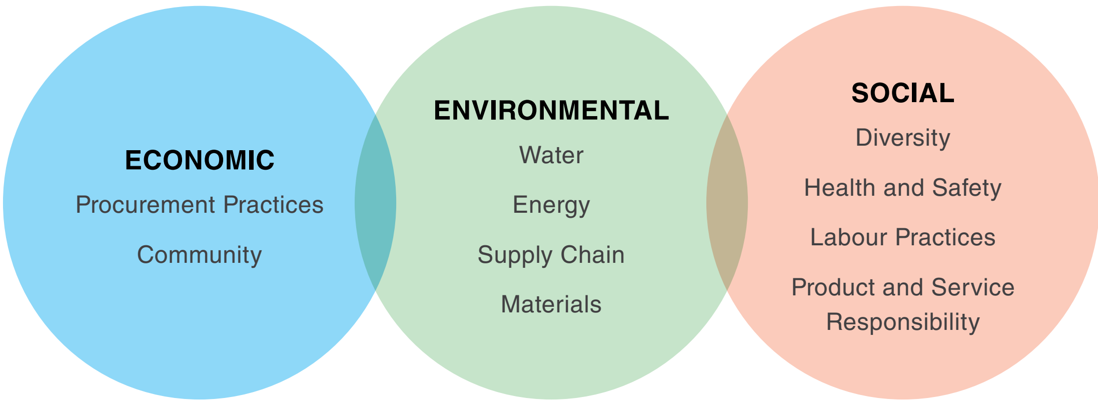
OUR STAKEHOLDERS	METHODS OF ENGAGEMENT	
CUSTOMERS Brand owners, governments, non-governmental organisations and retail purchasers around the world	• Campaigns • Customer service • Email and video conferencing	• Customer surveys • Social networks • Online forums
INVESTORS AND MEDIA Institutional and retail investors, analysts, fund managers and potential investors	• Annual general meetings • Quarterly results briefings • Conferences and roadshows • Site visits • Interviews	• 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 • Email	• Team building events • Annual performance appraisals • Townhalls
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 • Video conferencing	• Company sponsored events • Supplier surveys • Email
COMMUNITY Local communities where we operate and conduct our businesses	• Charity functions • Sporting events • Dialogue and knowledge exchange events	• Corporate Social Responsibility programmes

IDENTIFICATION OF MATERIAL ISSUES

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

STEPS	
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, medical and rubber products industries • 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.

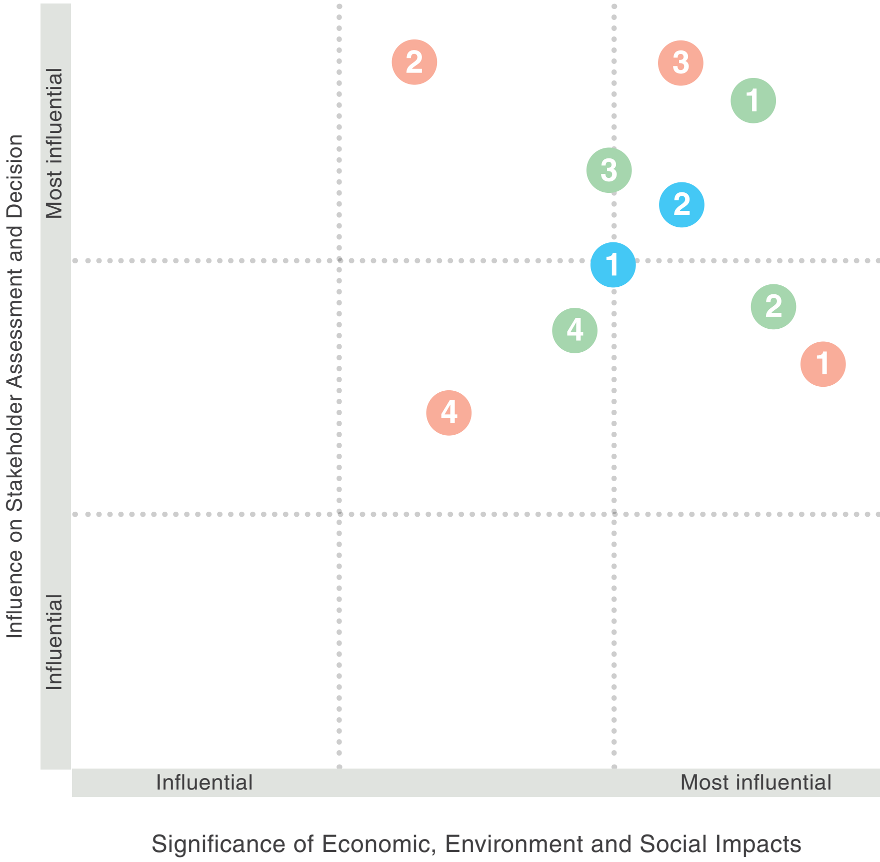
ASSESSMENT OF MATERIAL ISSUES



Sustainability Statement

MATERIALITY MATRIX

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



ECONOMIC

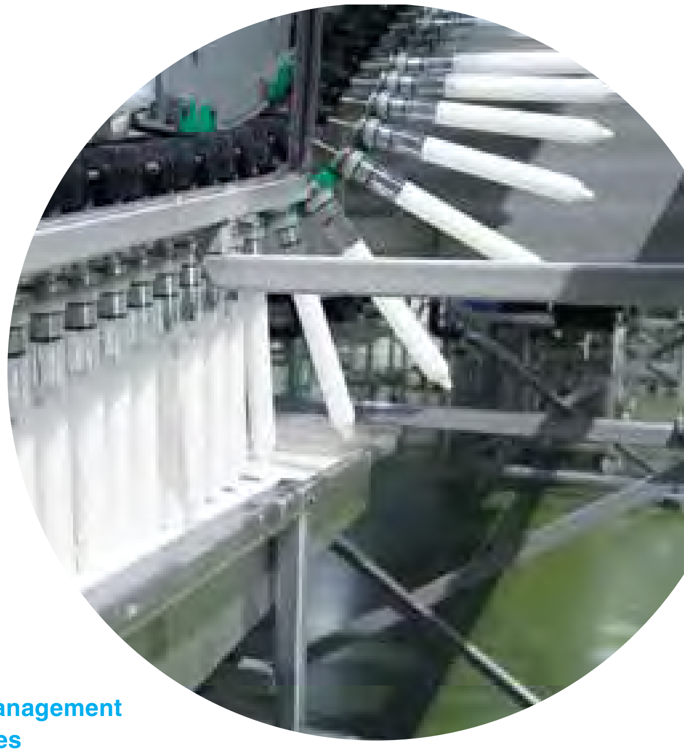
1. Procurement Practices
2. Community

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



MAPPING INITIATIVES AGAINST TOP MATERIAL ISSUES

ECONOMIC

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

COMMUNITY

Governance Practices

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

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

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

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

Risk Management Practices

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

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

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

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

ENVIRONMENTAL

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

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

WATER

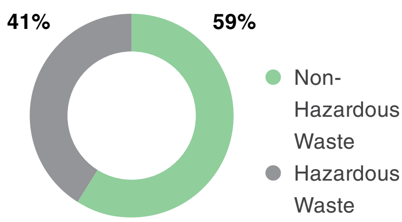
Water is one of the key components of our manufacturing processes that once consumed will often result in discharge that requires treatment before it can be released back into the environment or in certain cases recycled and reused. Recycling water is key to enabling us to reduce costs and conserve a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

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

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

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

Over 2,400 metric tonnes of waste was collected from our manufacturing facilities yielding



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

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

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

ENERGY

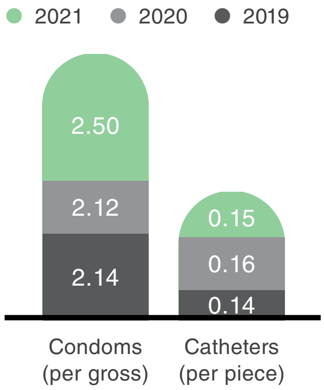
A culture of responsible energy use has been cultivated throughout the organisation with staff often reminded to take proactive steps to reduce energy consumption where possible. These efforts also include initiatives throughout our corporate spaces to encourage staff to switch off lights and equipment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

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

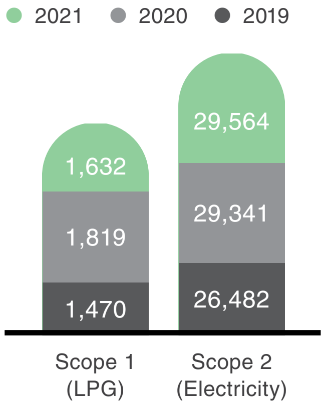
We have successfully maintained the ISO 14001:2015 Environmental Management System certification across all of our manufacturing facilities, ensuring that each facility has in place an effective environmental management system. As a result of the recent initiatives, our Thailand facility has been accredited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

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

Electricity Consumption Intensity (kWh)



CO_2 Equivalent Emissions From Manufacturing Processes (MT)



SOCIAL

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

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

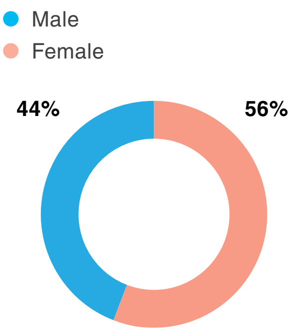
DIVERSITY

Workplace

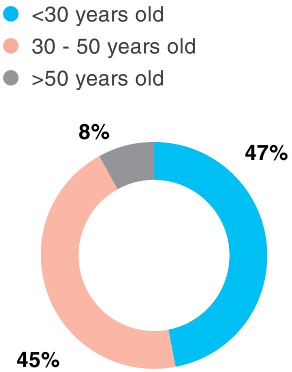
Our ability to adapt the working conditions for our teams in response to COVID-19 measures during the year was aided by our commitment to embrace diversity over the years. An inclusive mindset in which our employees are encouraged to embrace different perspective in order to create mutual respect equipped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

In addition to the culture of innovation that this has been fostered within the organisation, diversity also allows us to promote a very meritocratic community for our staff. We have always championed equal opportunities for all staff regardless of their age, ethnicity, race, gender, sexual orientation or beliefs. We continued to expand and implement initiatives aimed at dissipating stereotypes across our facilities. These include disabled toilets, removal of gender, religious and sexual preference data from recruitment criteria and the provision of free transportation and accommodation for those employees living far away from our facilities that do not have access to public transport.

Employees Breakdown by Gender



Employee Breakdown by Age Group

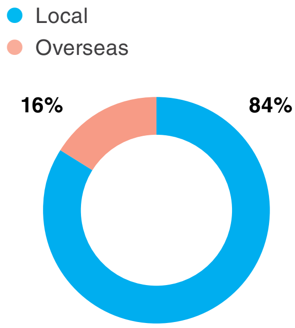


Beyond the cultivation of a conducive working environment, we also frequently evaluate conduct training requirements in order to ensure that our teams are constantly kept up to speed with the latest developments in their respective fields. We utilised electronic platforms to deliver increased technical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

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

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

Supply Chain by Local and Overseas



Local Communities

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

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

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

Sustainability Statement

Corporate Social Responsibility Programs

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

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

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

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

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

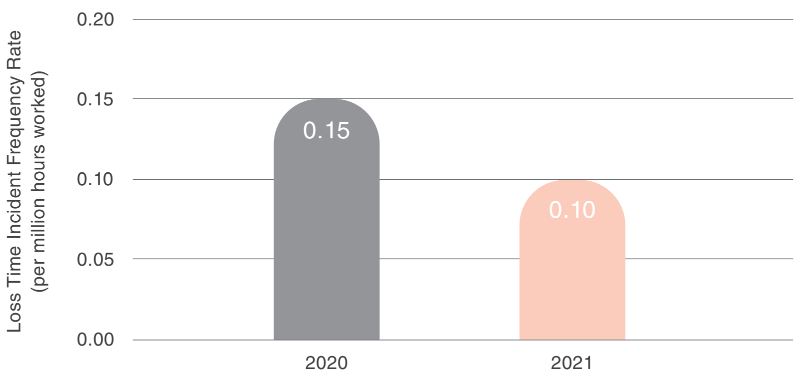
HEALTH AND SAFETY

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

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

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

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



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

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

Profile of Board of Directors

TUN DATO' SERI ARSHAD AYUB

Chairman
Independent Non-Executive Director

Malaysian **Male** **93**

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

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

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

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

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

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

He has attended all the Board Meetings held during the financial year ended 30 June 2021. He does not have any family relationship with any Director and/or Major Shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2021.

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

DATO' DR. ONG ENG LONG @ ONG SIEW CHUAN

Senior Independent Non-Executive Director

Malaysian **Male** **77**

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

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

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

Dato' Dr. Ong Eng Long has been the Technical Advisor for Kossan Rubber Industries Bhd. since July 2008. He has been involved with standards development for the past two decades. Dato' Dr. Ong was the Chairman of ISO/TC 157 Non-Systemic Contraceptives and STI Barrier Prophylactics from 2007 till Dec 2017 and the Chairman of ISO/TC 45 SC4 Rubber Products Other Than Hoses from 2005 till Dec 2017. ISO/TC 157 is the technical committee that is responsible for, amongst others, the international condom standards while ISO/TC 45 is responsible for, also amongst others, international rubber glove standards. Dato' Dr. Ong has more than 150 publications in areas of rubber science and latex dipped products.

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

He has attended all Board Meetings held during the financial year ended 30 June 2021. He does not have any family relationship with any Director and/or Major Shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/ or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2021.

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

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

Profile of Board of Directors

PROFESSOR DATO' DR. ADEEBA BINTI KAMARULZAMAN

Independent Non-Executive Director

Malaysian **Female** **57**

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

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

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

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

She has attended all Board Meetings held during the financial year ended 30 June 2021. She does not have any family relationship with any Director and/or Major Shareholder of the Company and has no conflict of interest with the Company. She has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on her by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2021.

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

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

Profile of Board of Directors

DATO' EDWARD SIEW MUN WAI

Independent Non-Executive Director

Malaysian **Male** **64**

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

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

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

Most recently, he was the Acting Global CEO/Global CFO of Crabtree & Evelyn London. From 2011 till 2014, he was an Independent Director and Audit Committee Chairman of an ASX-listed junior mining company. He was Vice-Chairman of the Taipei English School and Board member of the Taipei European Schools, Associate Faculty Member of the Othman Yeop Abdullah Graduate School of Business at Universiti Utara Malaysia, current member of the Sunway University Business School Industry Advisory Board and a frequent pro-bono guest speaker at various local Universities and the Malaysian Institute of Corporate Governance.

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

He has attended all the Board Meetings held since his appointment on 27 November 2020. He does not have any family relationship with any Director and/or Major Shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2021.

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

WONG YIEN KIM

Independent Non-Executive Director

Malaysian **Male** **67**

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

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

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

He has attended all the Board Meetings held during the financial year ended 30 June 2021. He does not have any family relationship with any Director and/or Major Shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2021.

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

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

LAM JIUAN JIUAN

Non-Independent Non-Executive Director

Australian **Female** **69**

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 since been with the Hong Kong Office of Zedra Group, a major independent trust, corporate and fund services group, as Private Clients Advisors.

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

She has attended all Board Meetings held during the financial year ended 30 June 2021. Goh Yen Yen and Goh Leng Kian are her siblings and Goh Miah Kiat is her nephew. She is the spouse of Lam Yiu Pang, Albert, a major shareholder of the Company. She has no conflict of interest with the Company and has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on her by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2021.

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

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

Profile of Board of Directors

GOH YEN YEN

Non-Independent Non-Executive Director

Malaysian **Female** **78**

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

She is a member of the Remuneration Committee. On 31 August 2018, she was re-designated from Executive Director to Non-Independent Non-Executive Director. She graduated with a Bachelor's Degree of Art in Geography with Honours from the University of Malaya in 1969. Prior to joining Karex in 1996, she was a teacher in various secondary schools in Johor for 26 years.

She has attended all the Board Meetings held during the financial year ended 30 June 2021. Goh Leng Kian and Lam Jiuan Jiuan are her siblings and Goh Miah Kiat is her nephew. She has no conflict of interest with the Company and has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on her by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2021.

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

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

GOH LENG KIAN

Executive Director, Technical and R&D

Malaysian **Male** **66**

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

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

Goh Leng Kian's career started in 1980 with Ban Seng Hong Sdn. Bhd. as a Mechanical Engineer, where he was in charge of the engineering unit for the company's rubber processing facilities. He joined our Group in 1988. He is currently responsible for overseeing our Group's manufacturing facilities, including production and technical matters. This includes the construction and development of our condom dipping lines, electronic testing and foiling machines, R&D activities such as improving the dipping process, new automation to improve production efficiency and product quality and overall yield of the factories as well as sourcing of new packaging machinery. Goh Leng Kian graduated with a Bachelor of Science Degree with Honours in Mechanical Engineering from the Loughborough University of Technology, UK in 1979.

He has attended all the Board Meetings held during the financial year ended 30 June 2021. Goh Yen Yen and Lam Jiuan Jiuan are his siblings and Goh Miah Kiat is his nephew. He has no conflict of interest with the Company and has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2021.

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

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

Profile of Board of Directors

GOH MIAH KIAT

Executive Director
Chief Executive Officer

Malaysian **Male** **43**

Goh Miah Kiat was appointed as our Chief Executive Officer on 29 July 2013. He became an integral part of our Group since 1999 and for over 10 years, he has been overseeing the marketing and logistics, international business dealings, brand development and coordination activities. He is a member of the Risk Management Committee. He was appointed to the Board on 25 February 2020 as our Executive Director.

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

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

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

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

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

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

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

Profile of Key Senior Management

GOH CHOK SIANG

Chief Financial Officer

Malaysian **Male** **50**

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

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

He does not have any family relationship with any Director and/or Major Shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2021.

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

Profile of Key Senior Management

LEONG WENG HONG

Chief Human Resources Officer

Malaysian **Male** **49**

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

Following his graduation in 1994, he started his career with Public Bank.

Prior to joining Karex, he was with Bechtel Group, Inc. for 17 years. He served in their pioneer Kuala Lumpur office before embarking on international assignments in China, USA, UK, Chile, Australia and Canada over the next 14 years. He returned to Malaysia under Talentcorp's, Returning Expert Programme.

He does not have any family relationship with any Director and/or Major Shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2021.

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

WONG YOUR CAN

Chief Strategy Officer

Malaysian **Male** **44**

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

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

He does not have any family relationship with any Director and/or Major Shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2021.

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

Corporate Governance Overview Statement

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

PRINCIPLE A

BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities
II. Board Composition
III. Remuneration

PRINCIPLE B

EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee
II. Risk Management and Internal Control

PRINCIPLE C

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders
II. Conduct of General Meetings

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

The Board has also provided more disclosures on the application of each Practice in its Corporate Governance Report ("CG Report"). The CG Report was announced together with the Annual Report of the Company on 29 October 2021. Shareholders may obtain the CG Report by accessing this link http://www.karex.com.my/ for further details and are advised to read this overview statement together with the CG Report.

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

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

(I) BOARD RESPONSIBILITIES

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

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

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

(I) BOARD RESPONSIBILITIES

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

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

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

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

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

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

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

Whistleblowing Policy

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

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

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

Anti-Bribery Policy

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

Company Secretary

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

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

(I) BOARD RESPONSIBILITIES

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

Board commitment

The underlying factors of Directors' commitment to the Group are devotion of time and continuous improvement of knowledge and skill sets. The Board meets at least once every quarter and on other occasions, as and when necessary, to inter-alia approve quarterly financial results, statutory financial statements, annual report, business plans, acquisition and expansion as well as to review the performance of the Company and its operating subsidiaries, governance matters and other business development matters.

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

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

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

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

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

DIRECTOR	TRAININGS ATTENDED
Tun Dato' Seri Arshad Ayub Chairman/Independent Non-Executive Director	• Anti-Bribery Training for CEO and Chairman
Dato' Dr. Ong Eng Long @ Ong Siew Chuan Senior Independent Non-Executive Director	• Anti-Bribery Training for CEO and Chairman • Awareness Session on Section 17A of MACC Act • Design and Interpretation of Clinical Trials • Forum on the Future of Natural Rubber Industry, Price and Sustainability Challenges • Transfer Pricing Aspects of Intra-Group Services
Professor Dato' Dr. Adeeba binti Kamarulzaman Independent Non-Executive Director	• Anti-Bribery Training for CEO and Chairman
Dato' Edward Siew Mun Wai Independent Non-Executive Director *(appointed on 27 November 2020)*	• Anti-Bribery Training for CEO and Chairman • Corporate Liability Provision Section 17A of MACC Act 2009 (Amended 2018) Awareness Training
Wong Yien Kim Independent Non-Executive Director	• Anti-Bribery Training for CEO and Chairman • EY Malaysia Budget 2021 • MIA - Artificial Intelligence and its Application to Finance
Lam Jiuan Jiuan Non-Independent Non-Executive Director	• Anti-Bribery Training for CEO and Chairman • BNP Paribas Wealth Management Webcast on Global Insights 2021 • CPA Business Partnership for Entrepreneurial Women • Credit Suisse Webinar • New UK Budgets Impact on Property Investment by Lutea (Asia) • Shaping a Sustainable Business • Whistleblowing with Confidence
Goh Yen Yen Non-Independent Non-Executive Director	• Anti-Bribery Training for CEO and Chairman
Goh Leng Kian Executive Director	• Anti-Bribery Training for CEO and Chairman
Goh Miah Kiat Executive Director/ Chief Executive Officer	• Anti-Bribery Training for CEO and Chairman

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

(II) BOARD COMPOSITION

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

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

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

The Board values independence greatly as it is important for ensuring objectivity and fairness in Board's decision making. All Independent Directors of the Board comply with the criteria of 'independent directors' as prescribed in the MMLR.

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

i. Subject to Board's justification and shareholders' approval, tenure of Independent Directors should not exceed a cumulative term of nine (9) years; and

ii. Assessment of independence of its Independent Directors focusing on events that would affect the ability of Independent Directors to continue bringing independent and objective judgment to board deliberation and the regulatory definition of Independent Directors.

An Independent Director may continue to serve the Board upon completion of the nine (9) years subject to re-designation of the Independent Director as a Non-Independent Director. In the event the Board intends to retain the Independent Director as an Independent Director after serving a cumulative term of nine (9) years, the Board will provide justification for its decision and seek shareholders' approval. For the financial year under review, none of the current Independent Directors have served the Company for more than nine (9) years cumulatively. The tenures of two (2) Independent Directors, namely Tun Dato' Seri Arshad Ayub and Dato' Dr. Ong Eng Long @ Ong Siew Chuan would reach nine (9) years on 30 November 2021 and 29 July 2022 respectively and shareholders' approval for their continuance in office as Independent Non-Executive Directors would be sought at the 9th AGM.

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

The Board members have diverse backgrounds and experiences in various fields. Collectively, they bring a broad range of skills, experience and knowledge to direct and manage the Group's businesses. Championing diversity and equality within the Group, the Board provides fair and equal opportunities to individuals regardless of age, race or gender. As such, there are three (3) capable female directors sitting on the Board, accounting to 33.33% of the Board's composition. The Board embraces diversity in the boardroom and views diversity as an imperative and believes that diversity is required to support the execution of its business strategy. Therefore, a diversity of perspectives coming from different walks of lives and various experiences at the Senior Management level of the Group is also highly cultivated. Accordingly, the Board does not discriminate any board member and board candidate on the grounds of race, gender, nationality, religious, sexual orientation and family status.

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

NOMINATION COMMITTEE ("NC")

The NC is established and maintained to ensure that there are formal and transparent procedures for the appointment of new directors to the Board and for the performance appraisal of directors. The current NC comprising Non-Executive Directors with a majority being Independent Non-Executive Directors are as follows:

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

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

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

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

- Constructive interaction during board meetings;
- Quality inputs and sharing of insights on board agenda;
- Board meeting attendance and preparation; and
- Independence for Independent Directors.

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

The NC assists the Board in reviewing the composition of the Board members annually and ensures that the current composition of the Board functions competently and effectively.

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

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

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

(III) REMUNERATION

Remuneration Committee ("RC")

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

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

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

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

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

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

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

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

(III) REMUNERATION

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

Directors' Remuneration

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

	Group					Company		
Director	Fees[1] RM	Salaries, Bonuses & Allowances[2] RM	Benefits[3] RM	EPF RM	Total RM	Fees[1] RM	Allowances RM	Total RM
Tun Dato' Seri Arshad Ayub	120,000	6,500	-	-	126,500	120,000	6,500	126,500
Dato' Dr. Ong Eng Long @ Ong Siew Chuan	90,000	7,000	-	-	97,000	90,000	7,000	97,000
Professor Dato' Dr. Adeeba binti Kamarulzaman	80,000	6,500	-	-	86,500	80,000	6,500	86,500
Dato' Edward Siew Mun Wai[4]	46,667	2,500			49,167	46,667	2,500	49,167
Wong Yien Kim	90,000	7,000	-	-	97,000	90,000	7,000	97,000
Lam Jiuan Jiuan	90,000	6,000	-	-	96,000	90,000	6,000	96,000
Goh Yen Yen	80,000	4,000	-	-	84,000	80,000	4,000	84,000
Goh Leng Kian	-	655,500	28,000	123,880	807,380	-	3,500	3,500
Goh Miah Kiat	-	824,500	14,000	155,800	994.300	-	4,500	4,500
Law Ngee Song[5]	37,500	5,000	-	-	42,500	37,500	5,000	42,500
	634,167	**1,524,500**	**42,000**	**279,680**	**2,480,347**	**634,167**	**52,500**	**686,667**

[1] *Fees paid to Non-Executive Directors*
[2] *Salaries, bonuses and meeting allowances for Directors' attendance at each Board and Board Committee meeting*
[3] *Benefits in terms of car-related benefits*
[4] *Appointed as Independent Non-Executive Director on 27 November 2020*
[5] *Resigned as Independent Non-Executive Director on 27 November 2020*

Senior Management's Remuneration

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

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

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

(I) AUDIT COMMITTEE ("AC")

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

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

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

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

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

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

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

(II) RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

Corporate Governance Overview Statement

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

(I) COMMUNICATION WITH STAKEHOLDERS

Corporate disclosure and information is of utmost importance for investors and shareholders. The Board is advised by Management, the Company Secretaries and the External and Internal Auditors on the contents and timing of disclosure requirements of the MMLR on the financial results and various announcements. The Board ensures that there is timely release of quarterly financial results, circulars, Annual Reports, corporate announcement and press releases. In addition to the various announcements made, further information of the Company is available on the Company's website at http://www.karex.com.my/.

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

(II) CONDUCT OF GENERAL MEETINGS

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

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

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

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

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

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

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

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

Additional Compliance Information

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

1. **Utilisation of Proceeds**

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

2. **Audit and Non-Audit Fees**

For the financial year ended 30 June 2021, the amount of audit and non-audit fees paid by the Company and the Group to KPMG PLT and its affiliates are as follows:

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

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

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

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

4. **Recurrent Related Party Transactions**

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

Audit Committee Report

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

COMPOSITION AND MEETINGS

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

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

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

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

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

TERMS OF REFERENCE ("TOR")

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

SUMMARY OF WORK

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

Ensuring Financial Statements Comply with Applicable Financial Reporting Standards:

(a) Reviewed the financial positions, unaudited quarterly interim financial reports and announcements for the respective financial quarters prior to submission to the Board for consideration and approval. The review is to ensure that the Group's unaudited quarterly financial reporting and disclosures present a true and fair view of the Group's financial position and performance and are in compliance with the approved Malaysian Financial Reporting Standard and disclosure provision of the MMLR; and

(b) Reviewed the audited financial statements for the financial year ended 30 June 2021 and discussed with the Management and External Auditors on the accounting principles and standards that were applied in the annual audited financial statements. As part of this review, the AC also considered the integrity of information in the financial statements focusing particularly on:

- significant adjustments resulting from the audit, going concern assumption, completeness of disclosures and compliance with accounting standards;
- changes in and implementations of major accounting policies and practices to the Group, if any;
- significant matters and unusual events or transactions highlighted by the External Auditors; and
- how these significant matters were addressed including the judgement of those involved and reservations, if any arising from the audit.

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

(a) Reviewed the audit plan of the External Auditors covering their scope of audit, methodology and timetable, audit materiality, and areas of focus prior to the commencement of their annual audit;

(b) Assessed and discussed the External Auditors' audit status report covering the key audit matters, audit findings and recommendations relating to internal control deficiencies;

(c) Met the External Auditors without the presence of executive Board Members and Management to further discuss matters arising from audit and assessed the co-operation and assistance given by Management to the External Auditors; and

(d) Reviewed the fees and expenses paid to the External Auditors, including fees paid for non-audit services during the year and assessed the independence of the External Auditors for the re-appointment as External Auditors. The AC is of the opinion that the independence of the External Auditors has not been compromised based on the independent confirmation provided by the External Auditors.

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

(a) Discussed with the Internal Auditors on the progress and coverage of the audit plan in its quarterly meetings to ensure that the audit scope remains relevant taking into consideration changes in the Group's operating environment;

(b) Reviewed and discussed with the Internal Auditors, their audit findings, recommendations made, Management's responses to the audit findings and proposed action plans, including those issues arising during the course of audit (in the absence of Management where necessary);

Audit Committee Report

(c) Reviewed the effectiveness and efficiency of the internal controls system in place and the risk factors affecting the Group as well as the action plans taken by Management to resolve the issues to ensure adequacy of the internal controls system;

(d) Reviewed and established frameworks to address past internal audit findings, whilst further strengthening the Group's internal processes; and

(e) Assessed the adequacy of the scope, independence, competency and cost of the Internal Audit function to ensure efficient and effective functionality of the Internal Auditors.

Overseeing Governance Practices in the Company;

(a) Reviewed the Corporate Governance Statement, AC Report and Statement on Risk Management and Internal Control before recommending them to the Board for approval and inclusion in the Annual Report; and

(b) Monitored the Group's involvement in related party transactions and ensured that these transactions were performed at arm's length basis, on normal commercial terms, and were not detrimental to the interests of minority shareholders.

INTERNAL AUDIT FUNCTIONS

The Group's internal audit function was outsourced to Moore Stephens Associates PLT, a chartered accounting firm. The outsourced Internal Auditors report directly to AC and assist the Board via the AC in providing independent assessment of the adequacy, efficiency and effectiveness of the Group's risk management and internal control systems.

The Internal Auditors have performed their work in accordance with the principles of the international professional practice framework on internal auditing covering the conduct of audit planning, execution, documentations, communication of findings and consultation with key stakeholders on the audit concerns. In order to ensure that the audit focuses on relevant and appropriate risk areas, an internal audit plan was developed in consultation with Management, taking into consideration the Group's structure, concerns and the challenges faced. A new internal audit plan will be proposed and presented to the AC when appropriate for deliberation and approval before internal audit reviews are carried out.

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

(i) Assessed the effectiveness and control procedures of financial reporting and hiring to retiring processes;

(ii) Assessed the effectiveness and control procedures in supply chain and procurement management;

(iii) Assessed the effectiveness and control procedures of production operation, quality assurance, health, safety and environment of a major subsidiary;

(iv) Assessed the effectiveness and control procedures of research & development and technical & engineering departments; and

(v) Conducted follow-up reviews quarterly with Management to ensure implementations of the agreed audit recommendations.

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

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

Directors' Responsibility Statement

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

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

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

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

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

Statement on Risk Management and Internal Control

The Board of Directors ("the Board') is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 30 June 2021. This Statement is prepared pursuant to paragraph 15.26(b) and Practice Note 9 of the Main Market Listing Requirements ("MMLR") and is guided by the "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers" ("the Guideline") endorsed by Bursa Malaysia Securities Berhad ("Bursa Securities").

BOARD'S RESPONSIBILITY

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

Composition of RMC:

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

RISK MANAGEMENT

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

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

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

Key Risk Focus	Key Mitigation Plan
Information Technology ("IT") Risk	• IT Disaster Recovery Plan is maintained to ensure the recovery process is executed smoothly and operation interruption is reduced in the event of disaster. • The Group's IT hardware and software are constantly being monitored and upgraded to keep up with the latest technologies. • Security measures for IT related materials are assessed and improved regularly. • To combat the growing threat of hackers, confidential files are kept in separate locations with additional security measures.
Pandemic Risk	• The Business Continuity Plan has been modified and executed in response to the pandemic risk, addressing the following: - – The appointment of Business Continuity Planning Manager, along with Onsite Response Team and Crisis Management team to monitor operations, make critical decisions, and issue relevant communications during the Movement Control Order ("MCO") period. – All non-essential international travel was cancelled to comply with the Standard Operating Procedures ("SOP") set by the Government. – All employees returning from international travel were quarantined for a period of 14 days in accordance with the SOP set out by the Government. – Work From Home initiatives and alternate workdays were implemented for office-based employees. – Onsite workforce was reduced in compliance with the SOP set by the Government. – All visitors including couriers were not allowed to enter the Group's premises during the MCO and Conditional MCO ("CMCO") periods. Designated areas were allocated for necessary logistics transactions. – Factory tours and in-house trainings were suspended during MCO and CMCO periods. – Sanitisation and cleaning of high traffic areas occured three (3) times a day. – Social distancing and temperature checks were implemented for all staff and visitors entering the Group's premises. – Hand sanitiser and face masks were provided to all staff. • Laptops and online meeting applications have been made available to executive-level staff to facilitate remote working and to conduct meetings with suppliers, customers etc. • To protect all staff members from the COVID-19 virus, the Group has procured COVID-19 vaccines via government programs to fully vaccinate all employees, including employees in foreign plants. • In order to detect any positive cases amongst employees as soon as possible, all employees are subjected to random biweekly RTK Antigen tests.
Foreign Worker/Social Compliance Risk	• Best practices and a Social & Ethical Management System have been implemented to enhance workforce management. • An independent review and assessment on ethical trade, human rights and labour standards of our firm has concluded that there is currently no forced labour/debt bondage within the group.
Succession Planning	• The Group has launched a Talent Development Programme with the purpose of nurturing new talent to act as a reserve talent pool.

Statement on Risk Management and Internal Control

Key Risk Focus	Key Mitigation Plan
Supply Chain	• Raw materials are stocked up in all plants in preparation for any emergencies. • The Group has expanded the supplier base in order to minimise the risk of operation disruptions.
Safety Risk	• A Safety Officer was appointed to oversee health and safety practices.
Foreign Exchange Risk	• The movement of foreign exchange is constantly being monitored by the Group. • Foreign currency exposure is mitigated through utilising of Forward Exchange Contracts.

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

INTERNAL CONTROLS

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

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

- The Group's organisation chart outlines the responsibilities, accountability and hierarchical structure of reporting lines;
- The structure establishes a clear reporting line for approval and authority of the Board, Chief Executive Officer ("CEO"), Senior Management and HODs for the transactions undertaken in the Group;
- As a precautionary step, risks faced by the Group have been insured to minimise financial exposure and losses. They include burglary, fire, stocks, money, fidelity guarantee, product liability and staff health and safety;
- Financial performance is reviewed by Executive Directors and CEO;
- Written policies and procedures on key processes of the Group are constantly being reviewed and enhanced to ensure its adequacy;
- Ongoing monthly management reporting procedures are executed to monitor and track the Group's performance; and
- Internal Auditors conduct testing of the effectiveness and adequacy of internal control procedures and processes.

BOARD REVIEW MECHANISM

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

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

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

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

MANAGEMENT RESPONSIBILITIES AND ASSURANCE

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

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

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

BOARD ASSURANCE AND LIMITATION

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

The Board is of the view that the risk management and internal control systems in place for the year under review are adequate and effective in safeguarding the shareholders' investment, the interest of customers, regulators and employees, and the Group assets.

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

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

The External Auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, (previously Recommended Practice Guide 5 (Revised 2015)), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by Malaysian Institute of Accountants for inclusion in the annual report of the Group for the year ended 30 June 2021, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the Annual Report of the Group, in all material respects:

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

(b) Is factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. The External Auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

Financial Statements

Directors' Report

For the year ended 30 June 2021

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 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company consists of investment holding. The principal activities of the subsidiaries are disclosed in Note 5 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 5 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
(Loss)/Profit for the year attributable to:		
Owners of the Company	(1,020)	9,960
Non-controlling interests	1,166	-
	146	9,960

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 0.5 sen per ordinary share totalling RM5,011,875 in respect of the financial year ended 30 June 2020 on 9 October 2020 and paid on 21 December 2020.

DIRECTORS OF THE COMPANY

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

Tun Dato' Seri Arshad Ayub
Dato' Dr. Ong Eng Long @ Ong Siew Chuan
Professor Dato' Dr. Adeeba binti Kamarulzaman
Dato' Edward Siew Mun Wai (appointed on 27 November 2020)
Mr Wong Yien Kim
Ms Lam Jiuan Jiuan
Ms Goh Yen Yen
Mr Goh Leng Kian
Mr Goh Miah Kiat
Mr Law Ngee Song (resigned on 27 November 2020)

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 2021

DIRECTORS' INTERESTS IN SHARES

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

Name of Directors	Interest		Number of ordinary shares At 1 July 2020	Bought	Sold	At 30 June 2021
Company						
Directors of the Company						
Tun Dato' Seri Arshad Ayub	Direct		15,100,000	310,000	-	15,410,000
	Deemed	(1)	5,200,000	-	-	5,200,000
Dato' Dr. Ong Eng Long @ Ong Siew Chuan	Direct		860,000	-	-	860,000
Ms Lam Jiuan Jiuan	Direct		19,087,456	-	-	19,087,456
	Deemed	(2)	64,312,456	-	-	64,312,456
	Deemed	(3)	198,089,600	-	-	198,089,600
Ms Goh Yen Yen	Direct		72,062,456	-	-	72,062,456
Mr Goh Leng Kian	Direct		41,368,865	100,000	-	41,468,865
	Deemed	(4)	184,250,000	-	-	184,250,000
	Deemed	(2)	573,750	-	-	573,750
Mr Goh Miah Kiat	Direct		47,150,097	1,500,000	-	48,650,097
	Deemed	(4)	184,250,000	-	-	184,250,000

(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 her/his equity interest held by her/his spouse pursuant to Section 59 (11)(c) of the Companies Act 2016.

(3) Deemed interested by virtue of her equity interest in AJNA Holdings Limited, Maharani Limited and Karex One Limited pursuant to Section 8 of the Companies Act 2016.

(4) Deemed interested by virtue of his equity interest in Karex One Limited pursuant to Section 8 of the Companies Act 2016.

By virtue of their substantial interests in the shares of the Company, Ms Lam Jiuan Jiuan, Ms Goh Yen Yen, Mr Goh Leng Kian 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.

None of the other Directors holding office at 30 June 2021 had 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 2021

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 substantial financial interest in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 28 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

During the financial year, the Company issued 51,085,761 new ordinary shares at an issue price of RM0.8273 each pursuant to the acquisition of non-controlling interest. There were no other 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 RM49,000 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.

Directors' Report
For the year ended 30 June 2021

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 June 2021 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.

Directors' Report
For the year ended 30 June 2021

AUDITORS

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

The auditors' remuneration is disclosed in Note 20 to the financial statements.

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

Goh Leng Kian
Director

Goh Miah Kiat
Director

Date: 11 October 2021

Statements of Financial Position

As at 30 June 2021

		Group		Company	
		2021	2020	2021	2020
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Property, plant and equipment	3	254,812	218,872	-	-
Right-of-use assets	4	30,646	30,125	-	-
Investments in subsidiaries	5	-	-	321,836	283,675
Intangible assets	6	95,546	97,525	-	-
Deferred tax assets	7	1,335	1,725	-	-
Total non-current assets		382,339	348,247	321,836	283,675
Inventories	8	131,232	128,884	-	-
Trade and other receivables	9	104,618	95,377	55,218	59,122
Contract assets	10	-	316	-	-
Current tax assets		2,490	2,378	-	-
Cash and cash equivalents	11	54,129	46,341	23,665	10,763
		292,469	273,296	78,883	69,885
Assets classified as held for sale	12	-	281	-	-
Total current assets		292,469	273,577	78,883	69,885
Total assets		674,808	621,824	400,719	353,560
Equity					
Share capital	13	324,244	281,980	324,244	281,980
Reserves	13	141,512	198,169	75,264	70,316
Equity attributable to owners of the Company		465,756	480,149	399,508	352,296
Non-controlling interest		-	4,951	-	-
Total equity		465,756	485,100	399,508	352,296
Liabilities					
Loans and borrowings	14	29,466	4,946	-	-
Lease liabilities		19,010	17,579	-	-
Deferred tax liabilities	7	2,832	7,239	-	-
Total non-current liabilities		51,308	29,764	-	-
Loans and borrowings	14	63,652	26,696	1,000	857
Lease liabilities		3,744	3,296	-	-
Trade and other payables	15	89,448	76,305	129	323
Derivative financial liabilities	16	375	361	-	-
Current tax liabilities		525	302	82	84
Total current liabilities		157,744	106,960	1,211	1,264
Total liabilities		209,052	136,724	1,211	1,264
Total equity and liabilities		674,808	621,824	400,719	353,560

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

Statements of Profit or Loss

For the year ended 30 June 2021

		Group		Company	
		2021	**2020**	**2021**	**2020**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	17	419,816	395,067	10,285	5,000
Cost of sales		(322,098)	(307,364)	-	-
Gross profit		97,718	87,703	10,285	5,000
Other income		4,561	3,710	3	337
Distribution expenses		(47,989)	(34,301)	-	-
Administrative expenses		(50,137)	(49,866)	(2,267)	(1,751)
Other expenses		(2,209)	(81)	(51)	(23)
Results from operating activities		1,944	7,165	7,970	3,563
Finance income		186	517	2,328	2,657
Finance costs	18	(2,664)	(2,490)	(20)	(51)
Net finance (costs)/income		(2,478)	(1,973)	2,308	2,606
(Loss)/Profit before tax		(534)	5,192	10,278	6,169
Tax credit/(expense)	19	680	(1,704)	(318)	(350)
Profit for the year	20	146	3,488	9,960	5,819
(Loss)/Profit attributable to:					
Owners of the Company		(1,020)	228	9,960	5,819
Non-controlling interest		1,166	3,260	-	-
Profit for the year		146	3,488	9,960	5,819
Basic and diluted (loss)/earnings per ordinary share (sen)	21	(0.10)	0.02		

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 2021

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit for the year	146	3,488	9,960	5,819
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	(7,902)	4,040	-	-
Total comprehensive (expense)/ income for the year	(7,756)	7,528	9,960	5,819
Total comprehensive (expense)/ income attributable to:				
Owners of the Company	(8,599)	4,153	9,960	5,819
Non-controlling interest	843	3,375	-	-
Total comprehensive (expense)/ income for the year	(7,756)	7,528	9,960	5,819

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

		Attributable to owners of the Company							
		Non-distributable				Distributable			
	Note	Share capital 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 2019		281,980	63,511	14,024	718	130,799	491,032	1,576	492,608
Foreign currency translation differences for foreign operations/ **Total other comprehensive income for the year**		-	-	3,925	-	-	3,925	115	4,040
Profit for the year		-	-	-	-	228	228	3,260	3,488
Total comprehensive income for the year		-	-	3,925	-	228	4,153	3,375	7,528
Contributions by and distributions to owners of the Company									
Dividends to owners of the Company/ **Total transactions with owners of the Company**	22	-	-	-	-	(15,036)	(15,036)	-	(15,036)
At 30 June 2020		281,980	63,511	17,949	718	115,991	480,149	4,951	485,100

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

		← Attributable to owners of the Company →							
		← Non-distributable →				Distributable			
	Note	Share capital 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 2020		281,980	63,511	17,949	718	115,991	480,149	4,951	485,100
Foreign currency translation differences for foreign operations/ **Total other comprehensive expense for the year**		-	-	(7,579)	-	-	(7,579)	(323)	(7,902)
(Loss)/Profit for the year		-	-	-	-	(1,020)	(1,020)	1,166	146
Total comprehensive (expense)/income for the year		-	-	(7,579)	-	(1,020)	(8,599)	843	(7,756)
Contributions by and distributions to owners of the Company									
Dividends to owners of the Company/ **Total transactions with owners of the Company**	22	-	-	-	-	(5,012)	(5,012)	-	(5,012)
Share issuance pursuant to acquisition of non-controlling interest		42,264	-	-	-	-	42,264	-	42,264
Change in ownership interest in a subsidiary		-	-	-	-	(43,046)	(43,046)	(1,978)	(45,024)
Total changes in ownership interest in a subsidiary		42,264	-	-	-	(43,046)	(782)	(1,978)	(2,760)
Dividends to non-controlling interest		-	-	-	-	-	-	(3,816)	(3,816)
At 30 June 2021		324,244	63,511	10,370	718	66,913	465,756	-	465,756

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

Statement of Changes in Equity

For the year ended 30 June 2021

		Attributable to owners of the Company			
		Non-distributable		Distributable	
	Note	Share capital RM'000	Merger reserve RM'000	Retained earnings RM'000	Total equity RM'000
Company					
At 1 July 2019		281,980	63,511	16,022	361,513
Profit and total comprehensive income for the year		-	-	5,819	5,819
Contributions by and distributions to owners of the Company					
Dividends to owners of the Company/ **Total transactions with owners of the Company**	22	-	-	(15,036)	(15,036)
At 30 June 2020/1 July 2020		281,980	63,511	6,805	352,296
Profit and total comprehensive income for the year		-	-	9,960	9,960
Contributions by and distributions to owners of the Company					
Dividends to owners of the Company/ **Total transactions with owners of the Company**	22	-	-	(5,012)	(5,012)
Share issuance pursuant to the acquisition of non-controlling interest/**Total changes in ownership interest in a subsidiary**		42,264	-	-	42,264
At 30 June 2021		324,244	63,511	11,753	399,508

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

Statements of Cash Flows

For the year ended 30 June 2021

		Group		Company	
		2021	2020	2021	2020
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
(Loss)/Profit before tax		(534)	5,192	10,278	6,169
Adjustments for:					
Depreciation and amortisation:					
- Property, plant and equipment		18,588	16,699	-	-
- Right-of-use assets		4,151	3,924	-	-
- Intangible assets		257	202	-	-
Dividend income		-	-	(10,285)	(5,000)
Fair value loss on derivative instruments		375	361	-	-
Finance costs	18	2,664	2,490	20	51
Finance income		(186)	(517)	(2,328)	(2,657)
Impairment loss on:					
- Trade receivables		1,185	46	-	-
- Intangible assets		848	-	-	-
Inventories:					
- Allowance for slow moving		271	2,233	-	-
- Written off		355	106	-	-
- Written down to net realisable value		321	975	-	-
Written off for property, plant and equipment					
Gain on disposal:		334	81	-	-
- Property, plant and equipment		(131)	(23)	-	-
- Asset held for sale		(336)	-	-	-
Operating profit/(loss) before changes in working capital		28,162	31,769	(2,315)	(1,437)
Change in inventories		(3,296)	(12,570)	-	-
Change in trade and other receivables		(11,868)	(13,765)	8,007	(2,228)
Change in contract assets		316	184	-	-
Change in trade and other payables		6,115	17,398	(194)	139
Cash generated from/(used in) operations		19,429	23,016	5,498	(3,526)
Tax (paid)/refunded		(3,228)	5,007	(320)	(377)
Net cash from/(used in) operating activities		16,201	28,023	5,178	(3,903)

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

Statements of Cash Flows

For the year ended 30 June 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Cash flows from investing activities					
Acquisition of:					
- property, plant and equipment	23	(56,313)	(24,186)	-	-
- intangible assets	6	(48)	(26)	-	-
Proceeds from disposal of:					
- Property, plant and equipment		380	1,182	-	-
- Asset held for sale		617	-	-	-
Dividend received		-	-	10,285	5,000
Interest received		186	517	2,328	2,657
Net cash (used in)/from investing activities		**(55,178)**	**(22,513)**	**12,613**	**7,657**
Cash flows from financing activities					
Interest paid		(2,664)	(2,490)	(20)	(51)
Change in pledged deposits		(67)	68	-	-
Dividends paid to owners of the Company	22	(5,012)	(15,036)	(5,012)	(15,036)
Dividend paid to the non-controlling interest of a subsidiary		(3,816)	-	-	-
Repayments of:					
- hire purchase liabilities		(173)	(377)	-	-
- lease liabilities		(3,151)	(3,033)	-	-
- term loans		(6,053)	(4,122)	(857)	(1,128)
- trust receipt		(805)	-	-	-
- revolving credits		-	(1,428)	-	-
- foreign currency trade loan		-	(352)	-	-
Drawdown of:					
- bankers' acceptances		26,388	2,144	-	-
- export financing		8,555	1,600	-	-
- term loans		31,599	-	-	-
- trust receipt		-	330	-	-
- revolving credits		1,965	-	1,000	-
Net cash from/(used in) financing activities		46,766	(22,696)	(4,889)	(16,215)
Effect of exchange rate fluctuations on cash held		(68)	(40)	-	-
Net increase/(decrease) in cash and cash equivalents		7,721	(17,226)	12,902	(12,461)
Cash and cash equivalents at 1 July		45,017	62,243	10,763	23,224
Cash and cash equivalents at 30 June	11	52,738	45,017	23,665	10,763

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

Statements of Cash Flows
For the year ended 30 June 2021

Cash outflows for leases as a lessee

		Group	
	Note	2021 RM'000	2020 RM'000
Included in net cash from operating activities			
Payment relating to short-term leases	20	1,850	2,118
Payment relating to leases of low-value assets	20	14	71
Included in net cash from financing activities			
Payment of lease liabilities		3,385	3,033
Interest paid in relation to lease liabilities	18	1,010	1,007
Total cash outflows for leases		6,259	6,229

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

Statements of Cash Flows
For the year ended 30 June 2021

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

	At 1 July 2019 RM'000	Net changes from financing cash flows RM'000	Acquisition of new leases RM'000	Acquisition of new hire purchase liabilities (Note 23) RM'000	At 30 June 2020/ 1 July 2020 RM'000	Net changes from financing cash flows RM'000	Acquisition of new leases RM'000	Remeasurement of lease liabilities RM'000	Derecognition of leases RM'000	Foreign exchange movement RM'000	At 30 June 2021 RM'000
Group											
Trust receipt	475	330	-	-	805	(805)	-	-	-	-	-
Bankers' acceptances	13,530	2,144	-	-	15,674	26,388	-	-	-	-	42,062
Hire purchase liabilities	807	(377)	-	179	609	(173)	-	-	-	-	436
Term loans	15,752	(4,122)	-	-	11,630	25,546	-	-	-	-	37,176
Export financing	789	1,600	-	-	2,389	8,555	-	-	-	-	10,944
Revolving credits	1,963	(1,428)	-	-	535	1,965	-	-	-	-	2,500
Foreign currency trade loan	352	(352)	-	-	-	-	-	-	-	-	-
Lease liabilities	23,400	(3,033)	508	-	20,875	(3,151)	4,460	419	(111)	262	22,754
Total liabilities from financing activities	57,068	(5,238)	508	179	52,517	58,325	4,460	419	(111)	262	115,872

	At 1 July 2019 RM'000	Net changes from financing cash flows RM'000	At 30 June 2020/ 1 July 2020 RM'000	Net changes from financing cash flows RM'000	At 30 June 2021 RM'000
Company					
Term loans	1,985	(1,128)	857	(857)	-
Revolving credit	-	-	-	1,000	1,000
Total liabilities from financing activities	1,985	(1,128)	857	143	1,000

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 is 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 financial year ended 30 June 2021 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 2021 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 5.

These financial statements were authorised for issue by the Board of Directors on 11 October 2021.

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 ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, interpretations and amendments of the MFRSs 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 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 April 2021

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018 – 2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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 accounting standards, interpretations and amendments in the respective financial year when the above accounting standards, interpretations and amendments become effective, if applicable.

The initial application of the accounting standards, interpretations and amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company upon their first adoption.

(b) Basis of measurement

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

1. BASIS OF PREPARATION (CONTINUED)

(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 the following notes:

- Note 4 - extension options and incremental borrowing rate in relation to leases
- Note 6 - intangible assets
- Note 8 - measurement of allowance for slow-moving inventories
- Note 25.4 - measurement of expected credit loss ("ECL")

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(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.

(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 a financial asset depending on the level of influence retained.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(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 which 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 equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, 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) Recognition and initial 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 asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

The categories of financial assets at initial recognition are as follows:

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(k)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

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

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

(a) 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 and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

(b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or

(c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

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.

Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the Group or the Company, and
(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

(iv) 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.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(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 transferred, 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 of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) 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. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(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. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

As a lessee

(i) Recognition and initial measurement

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

As a lessee (continued)

(i) Recognition and initial measurement (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) Subsequent measurement

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Inventories

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

The cost of inventories is calculated using the first-in first-out method, 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) Non-current asset held for sale or distribution to owners

Non-current assets that are expected to be recovered primarily through sale or distribution to owners rather than through continuing use, are classified as held for sale or distribution.

Immediately before classification as held for sale or distribution, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs of disposal.

Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

(i) Contract asset

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note 2(k)(i)).

(j) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost and contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank balance for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a simplified approach.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

(ii) Other assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment (continued)

(ii) Other assets (continued)

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.

(l) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) 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.

(n) 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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following over time criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;

(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(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.

(iv) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same period in which the expenses are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) 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.

(r) 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.

(s) 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 value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

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

Notes to the Financial Statements

3. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM'000	Plant and machinery RM'000	Equipment, furniture and fittings RM'000	Electrical installation and renovation RM'000	Motor vehicles RM'000	Construction -in-progress RM'000	Total RM'000
Group							
At cost							
At 1 July 2019	93,788	173,908	24,313	31,707	5,487	18,972	348,175
Additions (see Note 23)	1,138	7,824	1,778	1,693	336	10,314	23,083
Disposals	(13)	(900)	(5)	(214)	(51)	(169)	(1,352)
Written off	-	(119)	(5)	-	-	-	(124)
Transfers	105	9,388	162	2,413	-	(12,068)	-
Translation differences	1,119	2,026	152	558	37	154	4,046
At 30 June 2020/1 July 2020	96,137	192,127	26,395	36,157	5,809	17,203	373,828
Additions (see Note 23)	603	7,927	3,759	4,953	257	43,354	60,853
Disposals	-	(387)	(65)	-	(457)	(72)	(981)
Written off	-	(1,797)	-	-	-	(33)	(1,830)
Transfers	1,493	9,558	567	3,059	-	(14,677)	-
Translation differences	(2,794)	(4,272)	(263)	(1,163)	(89)	(1,052)	(9,633)
At 30 June 2021	95,439	203,156	30,393	43,006	5,520	44,723	422,237
Accumulated depreciation							
At 1 July 2019	14,844	89,984	14,798	13,799	3,592	-	137,017
Depreciation charge	2,132	9,618	2,480	1,940	529	-	16,699
Disposals	(1)	(113)	(5)	(28)	(46)	-	(193)
Written off	-	(41)	(2)	-	-	-	(43)
Translation differences	215	1,910	102	(782)	31	-	1,476
At 30 June 2020/1 July 2020	17,190	101,358	17,373	14,929	4,106	-	154,956
Depreciation charge	2,375	10,710	2,702	2,254	547	-	18,588
Disposals	-	(213)	(61)	-	(458)	-	(732)
Written off	-	(1,496)	-	-	-	-	(1,496)
Translation differences	(647)	(2,764)	(187)	(222)	(71)	-	(3,891)
At 30 June 2021	18,918	107,595	19,827	16,961	4,124	-	167,425
Carrying amounts							
At 1 July 2019	78,944	83,924	9,515	17,908	1,895	18,972	211,158
At 30 June 2020/1 July 2020	78,947	90,769	9,022	21,228	1,703	17,203	218,872
At 30 June 2021	76,521	95,561	10,566	26,045	1,396	44,723	254,812

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land and buildings

Included in the carrying amounts of land and buildings are:

	Group 2021 RM'000	Group 2020 RM'000
Land	19,951	19,899
Buildings	56,570	59,048
	76,521	78,947

3.1 Security

The land and buildings and plant and machinery of the Group with a carrying amount of RM66,900,000 (2020: RM48,884,000) are charged to licensed banks as security for banking facilities granted as disclosed in Note 14.

3.2 Leased motor vehicles

The carrying amount of motor vehicles of the Group acquired under hire purchase agreements is RM611,000 (2020: RM935,000).

3.3 Construction-in-progress

Construction-in-progress consists of assets relating to condom production facilities, glove manufacturing facilities and other machineries which are in process of being built and assembled and are not ready for intended use.

4. RIGHT-OF-USE ASSETS

	Land RM'000	Buildings RM'000	Plant and equipment RM'000	Total RM'000
Group				
At 1 July 2019	16,497	17,055	137	33,689
Additions	-	514	-	514
Depreciation	(463)	(3,411)	(50)	(3,924)
Transfer to assets held for sale	(281)	-	-	(281)
Translation differences	202	(75)	-	127
At 30 June 2020/1 July 2020	15,955	14,083	87	30,125
Additions	4,772	-	-	4,772
Remeasurement	443	11	-	454
Derecognition	-	(188)	-	(188)
Depreciation	(558)	(3,543)	(50)	(4,151)
Translation differences	(490)	124	-	(366)
At 30 June 2021	20,122	10,487	37	30,646

The Group leases a number of land, hostels, factory buildings and equipment that run between 1 year and 99 years, with an option to renew the lease after that date.

4. RIGHT-OF-USE ASSETS (CONTINUED)

4.1 Extension options

Some leases of buildings contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where applicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

	Lease liabilities recognised (discounted)		Potential future lease payments not included in lease liabilities (discounted)		Historical rate of exercise of extension options	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 %	2020 %
Group						
Buildings	4,077	5,210	12,185	13,427	86	90

4.2 Significant judgements and assumptions in relation to lease

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

4.3 Security

At 30 June 2021, the land with a carrying amount of RM12,233,000 (2020: RM6,587,000) is charged to banks as security for banking facilities granted to the Company as disclosed in Note 14.

5. INVESTMENTS IN SUBSIDIARIES

	Company 2021 RM'000	Company 2020 RM'000
Cost of investment	**321,836**	283,675

Details of the subsidiaries are as follows:

Name of entity	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2021 %	Effective ownership interest and voting interest 2020 %
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.	Manufacturing and sale of hand sanitizers, trading products and others	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	100	70
Subsidiary of Global Protection Corporation				
Global Protection Corp UK Limited*	Dormant	United Kingdom	100	100

* Not audited by KPMG PLT

5. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

5.1 Non-controlling interests in subsidiaries

During the financial year, the Group has acquired the remaining 30% of the subsidiary. In prior year, the Group's subsidiaries that have material non-controlling interests ("NCI") were as follows:

	Global Protection Corporation 2020
NCI percentage of ownership interest and voting interest	30%
	RM'000
Carrying amount of NCI	4,951
Profit allocated to NCI	3,260
Total comprehensive income allocated to NCI	3,375
Summarised financial information before intra-group elimination	
As at 30 June	
Non-current assets	2,541
Current assets	37,517
Non-current liabilities	(3,240)
Current liabilities	(20,314)
Net assets	16,504
Year ended 30 June	
Revenue	86,445
Profit for the year	10,867
Total comprehensive income	11,250
Cash flows from operating activities	5,640
Cash flows used in investing activities	(48)
Cash flows used in financing activities	(1,499)
Net increase in cash and cash equivalents	4,093

Notes to the Financial Statements

6. 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 2019	27,230	61,389	2,640	5,947	97,206
Addition	-	-	26	-	26
Effect of movements in exchange rates	-	984	181	-	1,165
At 30 June 2020/1 July 2020	27,230	62,373	2,847	5,947	98,397
Addition	-	-	48	-	48
Effect of movements in exchange rates	-	(976)	33	-	(943)
At 30 June 2021	27,230	61,397	2,928	5,947	97,502
Accumulated amortisation					
At 1 July 2019	-	-	644	-	644
Amortisation charge	-	-	202	-	202
Effect of movements in exchange rates	-	-	26	-	26
At 30 June 2020/1 July 2020	-	-	872	-	872
Amortisation charge	-	-	257	-	257
Effect of movements in exchange rates	-	-	(21)	-	(21)
At 30 June 2021	-	-	1,108	-	1,108
Accumulated impairment loss					
Impairment loss/At 30 June 2021	-	848	-	-	848
Carrying amounts					
At 1 July 2019	27,230	61,389	1,996	5,947	96,562
At 30 June 2020/1 July 2020	27,230	62,373	1,975	5,947	97,525
At 30 June 2021	27,230	60,549	1,820	5,947	95,546

Other intangible assets

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

6. INTANGIBLE ASSETS (CONTINUED)

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

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

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

	Goodwill		Brands		Other intangible assets	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Pasante Healthcare Limited ("Pasante")	27,230	27,230	-	-	-	-
"ONE" brand manufacturing and distribution	-	-	26,449	27,425	-	-
"Trustex" brand manufacturing and distribution	-	-	34,100	34,100	-	-
"NüVo" brand manufacturing and distribution	-	-	-	848	-	-
Other intangible assets related to fitted condom	-	-	-	-	5,589	5,589
Other intangible assets related to former production	-	-	-	-	358	358
	27,230	27,230	60,549	62,373	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 4.00% - 8.00% 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 11.8% 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.

6. 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 of condoms manufacturing and distribution units were projected based on adult population that uses condom of the target territories. Revenue of gloves manufacturing and distribution unit was projected based on management estimation on production output and industry trend.

iii) Profit margins were based on the historical performance of the manufacturing and distribution units for condoms and management expectations for market development on gloves business which remain constant throughout the projected period.

iv) Pre-tax discount rates of 11.7% to 12.0% were applied in determining the recoverable amount of the units. The discount rates were 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 11.9% 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, except for the brand "NuVo".

6. INTANGIBLE ASSETS (CONTINUED)

Other intangible assets related to fitted condoms (continued)

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	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Pasante	10,764	5,992	6,078	2,660	8,219	5,339
"ONE" brand manufacturing and distribution	8,975	2,025	4,910	6,008	13,835	13,479
"Trustex" brand manufacturing and distribution	6,651	2,526	4,199	1,129	11,863	5,378
"NüVo" brand manufacturing and distribution	140	153	98	117	221	283
Other intangible assets related to fitted condom	1,403	1,185	481	329	904	883

Based on the overall assessment, the brand "NuVo" is unable to pass the challenge of sensitivity test and thus the carrying amount of the brand has been fully impaired.

Notes to the Financial Statements

7. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Group						
Property, plant and equipment	-	-	(11,923)	(11,336)	(11,923)	(11,336)
Unutilised business losses	2,287	3,093	-	-	2,287	3,093
Unutilised reinvestment allowances	1,227	-	-	-	1,227	-
Unutilised capital allowances	4,048	3,059	-	-	4,048	3,059
Inventories	1,438	1,361	-	-	1,438	1,361
Trade receivables	2,171	985	-	-	2,171	985
Assets and liabilities not currently deductible/ taxable for tax purposes	12,162	5,378	(13,672)	(8,588)	(1,510)	(3,210)
Others	920	558	(155)	(24)	765	534
Tax assets/(liabilities)	24,253	14,434	(25,750)	(19,948)	(1,497)	(5,514)
Set off of tax	(22,918)	(12,709)	22,918	12,709	-	-
Net tax assets/(liabilities)	1,335	1,725	(2,832)	(7,239)	(1,497)	(5,514)

Movement in temporary differences during the year

	At 1 July 2020 RM'000	Recognised in profit or loss (Note 19) RM'000	At 30 June 2021 RM'000
Group			
Property, plant and equipment	(11,336)	(587)	(11,923)
Unutilised business losses	3,093	(806)	2,287
Unutilised reinvestment allowances	-	1,227	1,227
Unutilised capital allowance	3,059	989	4,048
Inventories	1,361	77	1,438
Trade receivables	985	1,186	2,171
Assets and liabilities not currently deductible/taxable for tax purpose	(3,210)	1,700	(1,510)
Others	534	231	765
	(5,514)	4,017	(1,497)

7. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Movement in temporary differences during the year (continued)

	At 1 July 2019 RM'000	Recognised in profit or loss (Note 19) RM'000	At 30 June 2020 RM'000
Group			
Property, plant and equipment	(10,745)	(591)	(11,336)
Unutilised business losses	1,637	1,456	3,093
Unutilised capital allowance	1,572	1,487	3,059
Inventories	689	672	1,361
Trade receivables	616	369	985
Assets and liabilities not currently deductible/taxable for tax purpose	-	(3,210)	(3,210)
Others	81	453	534
	(6,150)	636	(5,514)

The unutilised business losses and unutilised reinvestment allowances are available for offsetting against future taxable profits of the respective entities within the Group, subject to guidelines issued by the respective tax authority as follows:

	Group	
	2021 RM'000	2020 RM'000
Within 5 years of recognition	461	988
Within 7 years of recognition	3,053	2,028
Within 20 years of recognition	-	77
	3,514	3,093

Unutilised capital allowances do not expire under respective tax authority.

Notes to the Financial Statements

8. INVENTORIES

	Group	
	2021 RM'000	2020 RM'000
Raw materials	38,741	39,623
Work-in-progress	32,493	33,664
Finished goods	57,721	53,543
Chemicals and factory supplies	2,277	2,054
	131,232	128,884
Carrying amount:		
- At cost	121,209	122,698
- At net realisable value	10,023	6,186
	131,232	128,884
Recognised in profit or loss:		
- Inventories recognised as cost of sales	321,151	304,050
- Allowance for slow-moving	271	2,233
- Written off	355	106
- Written down to net realisable value	321	975

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade				
Trade receivables	92,015	83,214	-	-
Non-trade				
Other receivables	4,693	3,897	-	-
Deposits	831	936	-	-
Prepayments	7,079	7,330	154	-
Due from subsidiaries	-	-	55,064	59,122
	12,603	12,163	55,218	59,122
	104,618	95,377	55,218	59,122

The amounts due from subsidiaries are unsecured, subject to interest at 5% (2020: 5%) per annum and repayable upon demand.

Included in prepayments is advance payment made to suppliers amounting to RM812,000 (2020: RM1,638,000).

10. CONTRACT ASSETS

The contract assets primarily relate to the Group's rights to consideration for work completed on condoms but not yet billed at the reporting date. Typically, the amount will be billed upon delivery and payment is expected within 90 days.

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Cash and bank balances	35,622	40,253	6,549	5,999
Short-term deposits	18,507	6,088	17,116	4,764
Cash and cash equivalents in the statements of financial position	54,129	46,341	23,665	10,763
Less: Pledged deposits	(1,391)	(1,324)	-	-
Cash and cash equivalents in the statements of cash flows	52,738	45,017	23,665	10,763

Included in short-term deposits of the Group are RM1,391,000 (2020: RM1,324,000) pledged to bank as security for bank guarantee granted to the Group.

12. ASSETS CLASSIFIED AS HELD FOR SALE

In the prior year, a piece of land with a carrying amount of RM281,000 was classified as assets held for sale following the commitment of the Company to sell the assets. The disposal has been completed for a total consideration of RM617,000 during the year.

Notes to the Financial Statements

13. CAPITAL AND RESERVES

Share capital

	Group/Company		Group/Company Number of ordinary shares	
	2021 RM'000	2020 RM'000	2021 '000	2020 '000
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares:				
At 1 January	281,980	281,980	1,002,375	1,002,375
Issue of share	42,264	-	51,086	-
At 31 December	324,244	281,980	1,053,461	1,002,375

Reserves

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Distributable				
Retained earnings	66,913	115,991	11,753	6,805
Non-distributable				
Merger reserve	63,511	63,511	63,511	63,511
Translation reserve	10,370	17,949	-	-
Other reserve	718	718	-	-
	141,512	198,169	75,264	70,316

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.

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.

14. LOANS AND BORROWINGS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-current				
Term loans	29,233	4,540	-	-
Hire purchase liabilities	233	406	-	-
	29,466	4,946	-	-
Current				
Term loans	7,943	7,090	-	857
Bankers' acceptances	42,062	15,674	-	-
Export financing	10,944	2,389	-	-
Hire purchase liabilities	203	203	-	-
Revolving credits	2,500	535	1,000	-
Trust receipt	-	805	-	-
	63,652	26,696	1,000	857
	93,118	31,642	1,000	857

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, 2.0 times and 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

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade				
Trade payables	43,372	48,948	-	-
Non-trade				
Other payables and accrued expenses	46,076	27,357	129	323
	89,448	76,305	129	323

Included in other payables and accrued expenses of the Group are RM12,680,000 (2020: RM8,377,000) in respect of advances received from customers.

16. DERIVATIVE FINANCIAL LIABILITIES

	2021		2020	
Group	Nominal value RM'000	Financial liabilities RM'000	Nominal value RM'000	Financial liabilities RM'000
Derivatives at fair value through profit or loss				
- Forward exchange contracts	54,409	375	93,072	361

	2021	
Company	Nominal value RM'000	Financial liabilities RM'000
Derivatives at fair value through profit or loss		
- Forward exchange contracts	1,786	-

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.

17. REVENUE

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue from contracts with customers	419,816	395,067	-	-
Other revenue				
- Dividend income	-	-	10,285	5,000
Total revenue	419,816	395,067	10,285	5,000

17.1 Disaggregation of revenue

	Reportable segments							
	Sexual wellness		Medical		Others		Total	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Group								
Primary geographical markets								
Asia	96,716	78,484	15,393	13,618	-	-	112,109	92,102
Africa	74,329	99,098	-	27	-	-	74,329	99,125
Americas	162,021	130,064	1,111	1,239	-	-	163,132	131,303
Europe	49,917	54,101	12,059	10,985	8,270	7,451	70,246	72,537
	382,983	361,747	28,563	25,869	8,270	7,451	419,816	395,067
Major products and service lines								
Condoms	366,892	351,665	-	-	-	-	366,892	351,665
Personal lubricants	14,310	6,769	-	-	-	-	14,310	6,769
Probe covers	-	-	9,600	7,358	-	-	9,600	7,358
Catheters	-	-	16,815	15,579	-	-	16,815	15,579
Other	1,781	3,313	2,148	2,932	8,270	7,451	12,199	13,696
	382,983	361,747	28,563	25,869	8,270	7,451	419,816	395,067
Timing and recognition								
At a point in time	381,999	357,679	28,563	25,869	8,270	7,451	418,832	390,999
Over time	984	4,068	-	-	-	-	984	4,068
	382,983	361,747	28,563	25,869	8,270	7,451	419,816	395,067

Notes to the Financial Statements

17. REVENUE (CONTINUED)

17.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms
Condoms, personal lubricants, probe covers, catheters and other healthcare products	Revenue is recognised at a point in time when the control over a product or service is delivered and accepted by the customer	Credit period of up to 120 days from invoice date
Made-to order products	Revenue is recognised over time as costs are incurred. The work performed does not create an alternative use to the Group and the Group has rights to payment for work performed	Credit period of 90 days from invoice date/upon shipment of goods

The Group applies the practical expedient for exemption on disclosure of information on remaining performance obligation that have original expected durations of one year or less.

The revenue from contracts with customers of the Group are not subject to variable element in the consideration, obligation for returns or refunds and warranty.

18. FINANCE COSTS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss	1,654	1,483	20	51
Interest expenses on lease liabilities	1,010	1,007	-	-
	2,664	2,490	20	51

19. TAX (CREDIT)/EXPENSE

Recognised in profit or loss

Major components of income tax (credit)/expense include:

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Current tax expense				
- Current year	3,822	2,481	314	349
- Prior years	(485)	(141)	4	1
	3,337	2,340	318	350
Deferred tax income				
- Origination and reversal of temporary differences	(3,814)	(822)	-	-
- Prior years	(203)	186	-	-
	(4,017)	(636)	-	-
	(680)	1,704	318	350
Reconciliation of tax expense				
(Loss)/Profit before tax	(534)	5,192	10,278	6,169
Income tax calculated using Malaysian tax rate of 24%	(128)	1,246	2,467	1,481
Non-deductible expenses	1,078	879	540	383
Non-taxable income	(196)	(603)	(2,693)	(1,515)
Effect of different tax rates in different jurisdictions	140	366	-	-
Tax incentives	(886)	(229)	-	-
	8	1,659	314	349
Prior years	(688)	45	4	1
Tax (credit)/expense	(680)	1,704	318	350

Notes to the Financial Statements

20. PROFIT FOR THE YEAR

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Profit for the year is arrived at after charging/ (crediting)					
Audit fees					
- KPMG PLT		292	292	85	85
- Overseas affiliate of KPMG PLT		106	108	-	-
- Other auditors		381	348	-	-
Non-audit fees					
- KPMG PLT		37	17	37	17
Depreciation and amortisation:					
- Property, plant and equipment		18,588	16,699	-	-
- Right-of-use assets		4,151	3,924	-	-
- Intangible assets		257	202	-	-
Expenses relating to short-term leases	a	1,850	2,118	-	-
Expenses relating to leases of low-value assets	a	14	71	-	-
Fair value loss on derivative instruments		375	361	-	-
Finance income		(186)	(517)	(2,328)	(2,657)
Net foreign exchange (gain)/loss		(3,094)	(2,393)	51	(315)
Impairment loss on:					
- Trade receivables		1,185	46	-	-
- Intangible assets		848	-	-	-
Inventories:					
- Allowance for slow moving		271	2,233	-	-
- Written off		355	106	-	-
- Written down to net realisable value		321	975	-	-
Personnel expenses (including key management personnel):					
- Contributions to state plans		4,981	4,544	-	-
- Wages, salaries and others		109,396	102,328	634	640
Written off for property, plant and equipment		334	81	-	-
Gain on disposal:					
- Property, plant and equipment		(131)	(23)	-	-
- Asset held for sale		(336)	-	-	-

Note a

The Group leases a number of hostels and equipment with contract terms of 1 to 4 years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

21. (LOSS)/EARNINGS PER ORDINARY SHARE

Basic (loss)/earnings per ordinary share

The calculation of basic (loss)/ earnings per ordinary share at 30 June 2021 was based on the (loss)/profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows

	Group	
	2021	**2020**
	RM'000	**RM'000**
(Loss)/Profit for the year attributable to owners of the Company	(1,020)	228
Weighted average number of ordinary shares		
Weighted average number of ordinary shares at 30 June ('000)	1,028,828	1,002,375
Basic (loss)/earnings per ordinary share (sen)	(0.10)	0.02

Diluted (loss)/earnings per ordinary share

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

22. DIVIDENDS

Dividends recognised by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2021			
Final dividend 2020	0.5	5,012	21 December 2020
2020			
Final dividend 2019	1.0	10,024	23 December 2019
Interim dividend 2020	0.5	5,012	25 March 2020
		15,036	

23. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

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

	Group	
	2021 RM'000	2020 RM'000
Current year additions	60,853	23,083
Add/(Less):		
- Amount financed by hire purchase liabilities	-	(179)
- Balances in respect of acquisition of property, plant and equipment included in other creditors:		
- at end of year	(5,372)	(832)
- at beginning of year	832	2,114
Cash outflows from acquisition of property, plant and equipment	56,313	24,186

24. 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.

24. OPERATING SEGMENTS (CONTINUED)

Segment capital expenditure (continued)

	Sexual wellness RM'000	Medical RM'000	Others RM'000	Total RM'000
2021				
Segment profit	1,278	2,240	1,054	4,572
Included in the measure of segment profit are:	382,983	28,563	8,270	419,816
Revenue from external customers				
Inventories:				
- Allowance for slow moving	(201)	(70)	-	(271)
- Written off	(355)	-	-	(355)
- Written down to net realisable value	(321)	-	-	(321)
Depreciation and amortisation	(22,760)	(228)	(8)	(22,996)
Not included in the measure of segment profit but provided to CEO:				
Finance income	19	-	-	19
Finance costs	(2,610)	(32)	(2)	(2,644)
Segment assets	574,690	69,276	6,587	650,553
Not included in the measure of segment assets are:				
Additions to non-current assets other than financial instruments and deferred tax assets	22,366	38,487	-	60,853
2020				
Segment profit	6,494	1,344	760	8,598
Included in the measure of segment profit are:				
Revenue from external customers	361,747	25,869	7,451	395,067
Inventories:				
- Allowance for slow moving	(2,163)	(70)	-	(2,233)
- Written off	(106)	-	-	(106)
- Written down to net realisable value	(975)	-	-	(975)
Depreciation and amortisation	(20,589)	(228)	(8)	(20,825)
Not included in the measure of segment profit but provided to CEO:				
Finance income	48	-	-	48
Finance costs	(2,405)	(32)	(2)	(2,439)
Segment assets	576,561	29,650	4,549	610,760
Not included in the measure of segment assets are:				
Additions to non-current assets other than financial instruments and deferred tax assets	22,720	363	-	23,083

24. OPERATING SEGMENTS (CONTINUED)

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

	Group	
	2021 RM'000	2020 RM'000
Profit or loss		
Total profit for reportable segments	4,572	8,598
Finance costs	(2,644)	(2,439)
Finance income	19	48
Unallocated items:		
- Corporate expenses	(2,628)	(1,433)
- Finance income from deposits with licensed banks and other corporation	167	469
- Finance costs	(20)	(51)
Consolidated (loss)/profit before tax	(534)	5,192
Total assets		
Total assets for reportable segments	650,553	610,760
Other non-reportable segments	24,255	11,064
Consolidated total assets	674,808	621,824

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
Geographical segment revenue is as disclosed in Note 17.1.

Major customers
There is no significant concentration of sales to a customer exceeding 10% of the Group's revenue for year 2021 and 2020.

25. FINANCIAL INSTRUMENTS

25.1 Categories of financial instruments

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

(a) Amortised cost ("AC")
(b) Fair value through profit or loss ("FVTPL")
 - Mandatorily required by MFRS 9

	Carrying amount RM'000	AC RM'000	Mandatorily at FVTPL RM'000
Group			
2021			
Financial assets			
Trade and other receivables	97,539	97,539	-
Cash and cash equivalents	54,129	54,129	-
	151,668	151,668	-
Financial liabilities			
Trade and other payables	(76,768)	(76,768)	-
Loans and borrowings	(93,118)	(93,118)	-
Derivative financial liabilities	(375)	-	(375)
	(170,261)	(169,886)	(375)
2020			
Financial assets			
Trade and other receivables	88,047	88,047	-
Contract assets	316	316	-
Cash and cash equivalents	46,341	46,341	-
	134,704	134,704	-
Financial liabilities			
Trade and other payables	(67,928)	(67,928)	-
Loans and borrowings	(31,642)	(31,642)	-
Derivative financial liabilities	(361)	-	(361)
	(99,931)	(99,570)	(361)

Notes to the Financial Statements

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.1 Categories of financial instruments (continued)

	Carrying amount RM'000	AC RM'000	Mandatorily at FVTPL RM'000
Company			
2021			
Financial assets			
Trade and other receivables	55,064	55,064	-
Cash and cash equivalents	23,665	23,665	-
	78,729	78,729	-
Financial liabilities			
Trade and other payables	(129)	(129)	-
Loans and borrowings	(1,000)	(1,000)	-
	(1,129)	(1,129)	-
2020			
Financial assets			
Trade and other receivables	59,122	59,122	-
Cash and cash equivalents	10,763	10,763	-
	69,885	69,885	-
Financial liabilities			
Trade and other payables	(323)	(323)	-
Loans and borrowings	(857)	(857)	-
	(1,180)	(1,180)	-

25.2 Net gains and losses arising from financial instruments

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Net (losses)/gains on:				
Financial liabilities at amortised cost	(1,654)	(1,483)	(20)	(51)
Financial assets at amortised cost	1,930	2,864	2,277	2,972
Financial liabilities at fair value through profit or loss				
- Mandatorily required by MFRS 9	(375)	(361)	-	-
	(99)	1,020	2,257	2,921

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

25.4 Credit risk

Credit risk is the risk of a financial loss 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 subsidiaries. There are no significant changes as compared to prior period.

Trade receivables and contract assets

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group assesses whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

There are no significant changes as compared to prior period.

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.

Recognition and measurement of impairment loss

In managing credit risk of trade receivables and contract assets, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances.

The Group assessed the risk of loss of the customer individually based on their financial information, past trend of payments and external credit ratings, where applicable. Invoices which are past due 365 days will be considered as credit impaired.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Recognition and measurement of impairment loss (continued)

The following table provides information about the exposure to credit risk and expected credit losses ("ECLs") for trade receivables and contract assets as at the end of the reporting period which are grouped together as they are expected to have similar risk nature.

	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Group			
2021			
Current (not past due)	56,820	-	56,820
1 - 30 days past due	18,478	-	18,478
31 - 60 days past due	5,960	-	5,960
61 - 90 days past due	3,077	-	3,077
More than 90 days past due	7,680	-	7,680
	92,015	-	92,015
Credit impaired			
Individually impaired	1,386	1,386	-
	93,401	1,386	92,015
Trade receivables	93,401	1,386	92,015
2020			
Current (not past due)	49,701	-	49,701
1 - 30 days past due	8,490	-	8,490
31 - 60 days past due	7,217	-	7,217
61 - 90 days past due	1,878	-	1,878
More than 90 days past due	16,244	-	16,244
	83,530	-	83,530
Credit impaired			
Individually impaired	201	201	-
	83,731	201	83,530
Trade receivables	83,415	201	83,214
Contract assets	316	-	316
	83,731	201	83,530

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Recognition and measurement of impairment loss (continued)

The movements in the allowance for impairment in respect of trade receivables during the year are shown below.

	Group	
	2021	**2020**
	RM'000	**RM'000**
Balance as at 1 July	201	591
Net remeasurement of loss allowance	1,185	46
Amounts written off	-	(436)
Balance as at 30 June	1,386	201

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.

Recognition and measurement of impairment loss

Generally, the Company considers amounts due from subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when the subsidiaries' financial position deteriorates significantly. The Company considers amounts due from subsidiaries to be credit impaired when:

- The subsidiaries are unlikely to repay the amount to the Company in full; or
- The subsidiaries are continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for this amount individually using internal information available.

At the end of the reporting period, there is no indication that the financial positions of the subsidiaries have deteriorated significantly. There is no subsidiary which is unlikely to repay its amount to the Company in full and in deficit shareholders' fund.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. 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.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables

The Group and the Company monitor the exposure to credit risk on individual basis.

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 and the Group and the Company do not recognise any allowance for impairment losses.

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 RM95,541,000 (2020: RM35,245,000) representing the outstanding banking facilities of its subsidiaries as at the end of the reporting period.

Recognition and measurement of impairment loss

The Company determines the probability of default for the guaranteed loans using internal information available by assessing individual subsidiary's financial position and likelihood to repay the loan.

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.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.5 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 maintain 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.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Maturity analysis

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

	Carrying amount RM'000	Contractual interest rate/ coupon/ Discount rate %	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							
2021							
Non-derivative financial liabilities							
Trade and other payables	76,768	-	76,768	76,768	-	-	-
Term loans	37,176	2.03 - 5.30	39,852	8,441	5,687	18,283	7,441
Hire purchase liabilities	436	2.90 - 4.22	460	218	195	47	-
Bankers' acceptances	42,062	2.83 - 3.17	42,062	42,062	-	-	-
Export financing	10,944	1.18 - 1.68	10,958	10,958	-	-	-
Revolving credits	2,500	2.56 - 4.35	2,509	2,509	-	-	-
Lease liabilities	22,754	3.70 - 4.50	28,929	4,066	3,432	5,085	16,346
	192,640		201,538	145,022	9,314	23,415	23,787
Derivative financial liabilities							
Forward exchange contracts (gross settled):							
- Outflow	375	-	54,784	54,784	-	-	-
- Inflow	-	-	(54,409)	(54,409)	-	-	-
	193,015		201,913	145,397	9,314	23,415	23,787

Notes to the Financial Statements

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM'000	Contractual interest rate/ coupon/ Discount rate %	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							
2020							
Non-derivative financial liabilities							
Trade and other payables	67,928	-	67,928	67,928	-	-	-
Term loans	11,630	2.41 - 5.94	11,998	7,187	3,396	856	559
Hire purchase liabilities	609	2.90 - 4.39	651	226	328	97	-
Bankers' acceptances	15,674	3.00 - 4.25	15,674	15,674	-	-	-
Export financing	2,389	1.72 - 1.97	2,389	2,389	-	-	-
Revolving credits	535	4.35	535	535	-	-	-
Trust receipt	805	3.73	805	805	-	-	-
Lease liabilities	20,875	3.70 - 4.50	27,429	4,236	4,199	6,619	12,375
	120,445		127,409	98,980	7,923	7,572	12,934
Derivative financial liabilities							
Forward exchange contracts (gross settled):							
- Outflow	361	-	93,433	93,433	-	-	-
- Inflow	-	-	(93,072)	(93,072)	-	-	-
	120,806		127,770	99,341	7,923	7,572	12,934

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM'000	Contractual interest rate/ coupon/ Discount rate %	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							
2021							
Non-derivative financial liabilities							
Trade and other payables	129	-	129	129	-	-	-
Revolving credit	1,000	2.56	1,000	1,000	-	-	-
Financial guarantee*	-	-	95,541	95,541	-	-	-
	1,129		96,670	96,670	-	-	-
Derivative financial liabilities							
Forward exchange contracts (gross settled):							
- Outflow	-	-	1,786	1,786	-	-	-
- Inflow	-	-	(1,786)	(1,786)	-	-	-
	1,129		96,670	96,670	-	-	-
2020							
Non-derivative financial liabilities							
Trade and other payables	323	-	323	323	-	-	-
Term loans	857	2.41	871	871	-	-	-
Financial guarantee*	-	-	35,245	35,245	-	-	-
	1,180		36,439	36,439	-	-	-

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

25.6 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"), Great Britain Pound ("GBP") and Singapore Dollar ("SGD").

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.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.6 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 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	SGD RM'000
Group					
2021					
Trade receivables	49,907	5,052	441	6	26
Other receivables	64	-	-	-	-
Intercompany receivables	87,337	-	38	4,136	-
Cash and cash equivalents	10,879	-	315	437	-
Trade payables	(3,869)	-	(848)	-	-
Other payables	(1,814)	-	(89)	(15)	-
Intercompany payables	(39,877)	-	-	(93)	-
Loans and borrowings	(11,352)	-	-	(2,578)	-
Forward exchange contracts	(53,027)	-	-	(1,382)	-
Net exposure	38,248	5,052	(143)	511	26
2020					
Trade receivables	55,310	4,396	282	-	-
Intercompany receivables	53,500	-	37	4,217	-
Cash and cash equivalents	8,560	3	392	154	-
Trade payables	(10,514)	-	(1,000)	(27)	-
Other payables	(1,455)	-	(89)	-	-
Intercompany payables	(32,786)	-	-	(14)	-
Loans and borrowings	(10,262)	-	-	-	-
Forward exchange contracts	(93,072)	-	-	-	-
Net exposure	(30,719)	4,399	(378)	4,330	-

	Denominated in USD	
	2021 RM'000	2020 RM'000
Company		
Intercompany receivables	18,019	10,111
Loans and borrowings	-	(857)
Forward exchange contracts	(1,786)	-
Net exposure	16,233	9,254

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.6 Market risk (continued)

Currency risk (continued)

Currency risk sensitivity analysis

A 10% (2020: 10%) strengthening of the 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 is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. 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	SGD RM'000
Group					
2021					
Profit or (loss)	(2,907)	(384)	11	(39)	(2)
2020					
Profit or (loss)	2,335	(334)	29	(329)	-

	Denominated in USD	
	2021 RM'000	2020 RM'000
Company		
Profit or (loss)	(1,234)	(703)

A 10% (2020: 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 to an acceptable level.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.6 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 and lease liabilities, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Fixed rate instruments				
Financial assets	18,507	6,088	72,180	63,886
Financial liabilities	(55,942)	(20,012)	(1,000)	-
Lease liabilities	(22,754)	(20,875)	-	-
	(60,189)	(34,799)	71,180	63,886
Floating rate instruments				
Financial liabilities	(37,176)	(11,630)	-	(857)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company do not designate derivatives as hedging instruments under a fair value hedge 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 profit or loss by RM283,000 (2020: RM88,000) and NIL (2020: RM7,000) respectively. This analysis assumes that all other variables remained constant.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.7 Fair value information

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

The carrying amounts of the hire purchase 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.

The table below analyses other financial instruments at fair value

	Fair value of financial instruments carried at fair value Level 2 RM'000	Total fair value RM'000	Carrying amount RM'000
Group			
2021			
Financial liabilities			
Forward exchange contracts	(375)	(375)	(375)
2020			
Financial liabilities			
Forward exchange contracts	(361)	(361)	(361)

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 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 financial year (2020: no transfer in either directions).

26. 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 2021, 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 and debt-to-equity ratio of the Group are as follows:

	Group	
	2021 RM'000	2020 RM'000
Total borrowings (Note 14)	93,118	31,642
Lease liabilities	22,754	20,875
Total debt	115,872	52,517
Less: Cash and cash equivalents (Note 11)	(54,129)	(46,341)
	61,743	6,176
Total equity attributable to owners of the Company	465,756	480,149
Debt to equity ratio	0.25	0.11

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.

27. CAPITAL COMMITMENT

	Group	
	2021 RM'000	2020 RM'000
Capital expenditure commitment		
Property, plant and equipment		
Contracted but not provided for	13,887	2,932

28. 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. Related parties may be individuals or other entities.

28. RELATED PARTIES (CONTINUED)

Identity of related parties (continued)

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, entities in which certain Directors/Directors' close family members have substantial financial interest 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 are shown below. The balances related to the below transactions are shown in Note 9.

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
A. Subsidiaries				
Dividend income	-	-	10,285	5,000
Interest income	-	-	2,161	2,212
Advance to	-	-	10,496	6,033
B. Entities in which certain Directors/Directors' close family members have substantial financial interest				
Sales of goods	26	282	-	-
C. Key management personnel				
Directors				
- Fees	634	640	634	640
- Remunerations	1,525	800	53	43
- Benefits	42	37	-	-
- Contributions to the state plans	280	139	-	-
	2,481	1,616	687	683
Senior management				
- Remunerations	2,118	2,150	-	-
- Benefits	-	19	-	-
- Contributions to the state plans	389	400	-	-
	2,507	2,569	-	-
Total short-term employee benefits	4,988	4,185	687	683

Notes to the Financial Statements

29. ACQUISITION OF A NON-CONTROLLING INTEREST

On 24 December 2020, the Group via a wholly-owned subsidiary, Karex Global Limited, acquired an additional 30% interest in Global Protection Corporation ("GPC") for RM42,263,000 in consideration of shares, increasing its ownership from 70% to 100%. The carrying amount of GPC's net assets in the Group's financial statements on the date of the acquisition was RM6,527,000. The Group recognised a decrease in non-controlling interests of RM1,978,000 and retained earnings of RM43,046,000.

The following summarises the effect of

	Group 2021 RM'000
Equity interest at 1 July 2020	4,951
Share of comprehensive income	843
Dividend to non-controlling interest	(3,816)
Effect of increase in Group's ownership interest	1,978

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 64 to 134 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 2021 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:

Goh Leng Kian
Director

Goh Miah Kiat
Director

Date: 11 October 2021

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 64 to 134 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 Puchong in the state of Selangor on 11 October 2021.

Goh Chok Siang

Before me:
Ng Say Jin (B 195)
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 2021 of the Group and of the Company, and the statements of profit or loss, 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 64 to 134.

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 2021, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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 - Group

Refer to Note 2(f) - Significant accounting policies: Intangible assets and Note 6 - Intangible assets.

The key audit matter

The Group has goodwill of RM27,230,000, brands of RM60,549,000 and other intangible assets of RM5,947,000 with indefinite useful life as at 30 June 2021 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.

Independent Auditors' Report
To the members Of Karex Berhad

Key Audit Matters (continued)

Goodwill and intangible assets impairment assessment - Group (continued)

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.

How the matter was addressed in our audit:

Our audit procedures performed in this area included, amongst 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 - Group

Refer to Note 2(g) - Significant accounting policies: Inventories and Note 8 - 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 2021, the Group has reported inventory balance of RM131,232,000.

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.

Key Audit Matters (continued)

Inventories valuation - Group (continued)

How the matter was addressed in our audit:

Our audit procedures performed in this area included, amongst 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 2021 by comparing the most recent selling prices of the finished goods to assess whether these exceeded the carrying value of inventories at year end.

Impairment on investment in subsidiaries - Company

Refer to Note 2(k)(ii) - Significant accounting policies: Impairment – other assets and Note 5 - Investments in subsidiaries.

The key audit matter

As at 30 June 2021, the carrying amount of the investments in subsidiaries of the Company amounted to RM321,836,000.

The Company is required to estimate the recoverable amount based on forecasting and discounting future cash flows and to recognise impairment loss if the recoverable amount is less than its carrying amount in accordance with MFRS 136 *Impairment of Assets*.

In view of the inherent uncertainties and level of judgement required in evaluating the Company's assumptions included within the cash flows projections, impairment on investments in subsidiaries is determined as a key audit matter.

How the matter was addressed in our audit:

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

- We assessed the determination of CGUs and the indicators of impairment based on our understanding of the Group's business activities.
- Where indicators exist, we obtained the discounted cash flow projections of the CGUs identified for the recoverable amount estimated and considered whether there were material inconsistencies with the approved business plans and forecasts.
- We assessed the appropriateness of key assumptions used in particular those relating to revenue growth rates, profit margin, discount rates and terminal value applied to the cash flows projections, by comparing to the historical and current performance, internal business plans and forecasts and externally derived market data.
- We evaluated the Company's sensitivity analyses around the key assumptions including revenue growth rates, profit margin, discount rates and terminal value growth rates to the extent of the change that would result the assets to be impaired.

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.

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

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

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

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.

Independent Auditors' Report

To the members Of Karex Berhad

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 5 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: 03045/02/2023 J
Chartered Accountant

Johor Bahru

Date: 11 October 2021

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 2021 RM'000
1	PTD 7906, Taman Pontian Jaya, Batu 34 Jalan Johor, 82000 Pontian, Johor Darul Takzim	9,354/ 5,460	1 1/2 storey semi-detached building which we use as office, factory and warehouse	05/04/2000	Freehold	-	28	480
2	PTD 7907, Taman Pontian Jaya, Batu 34 Jalan Johor, 82000 Pontian, Johor Darul Takzim	10,807/ 5,460	1 1/2 storey semi-detached building which we use as office, factory and warehouse	05/04/2000	Freehold	-	28	480
3	Lot 1235, Benut, 82000 Pontian, Johor Darul Takzim	225,418/-	Vacant land	10/09/2002	Freehold	-	-	853
4	PTD 7915, Taman Pontian Jaya, Batu 34 Jalan Johor, 82000 Pontian, Johor Darul Takzim	9,720/ 5,460	1 1/2 storey semi-detached building which we use as warehouse	22/02/2005	Freehold	-	28	518
5	Lot 2767, Jalan Johor, 82000 Pontian, Johor Darul Takzim	781,335/-	Building under construction	21/10/2010	Freehold	-	-	10,508
6	Lot 1863, Batu 39 1/2, Jalan Johor, 82000 Pontian, Johor Darul Takzim	18,241/ 7,798	Single storey semi-detached building which we use as office, factory and warehouse.	27/7/2015	Leasehold 99 years	October 2063	28	597
7	Lot 2491, Batu 39 1/2, Jalan Johor, 82000 Pontian, Johor Darul Takzim	54,450/ 21,385	Single storey semi-detached building which we use as office, factory and warehouse.	27/7/2015	Leasehold 99 years	October 2063	28	2,401
8	Lot 2244, Batu 39 1/2, Jalan Johor, 82000 Pontian, Johor Darul Takzim	39,204/ 6,439	Single storey Semi-detached building which we use as office, factory and warehouse.	27/7/2015	Leasehold 99 years	October 2063	28	1,654
9	Lot 2256, Batu 39 1/2, Jalan Johor, 82000 Pontian, Johor Darul Takzim	199,477/ 128,808	Single storey semi-detached building which we use as office, factory and warehouse.	27/7/2015	Freehold	-	28	11,293

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 2021 RM'000
10	PTD 5997, Batu 39 1/2, Jalan Johor, 82000 Pontian, Johor Darul Takzim	168,563/-	Vacant land	27/7/2015	Agriculture Freehold	-	-	2,373
11	Lot 591, Persiaran Raja Lumu, Pandamaran Industrial Estate, 42000 Port Klang, Selangor Darul Ehsan	43,560/ 28,908	1 1/2 storey building which we use as warehouse	09/03/2012	Leasehold 99 years	September 2074	30	5,567
12	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	33	10,049
13	Land slot No: E1-6 Export Processing Zone, Southern Industrial Estate Village 4, Tumbol Chalung, Amphur Hat Yai, Songkhla, Thailand	64,446/ 37,835	1 1/2 storey building which we use as office, factory and warehouse.	30/04/2003	Leasehold 30 years	April 2033	16	1,841
14	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	16	2,820
15	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	7	3,462
16	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	6	20,219

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 2021 RM'000
17	Land slot No: E1-18, E1-19, E1-20, E1-21 Export Processing Zone, Southern Industrial Estate Village 4, Tumbol Chalung, Amphur Hat Yai, Songkhla, Thailand	276,651/ 121,080	Building under construction	22/09/2020	Leasehold 30 years	September 2050	-	4,653
18	Land slot No: E14-15 Export Processing Zone, Southern Industrial Estate Village 4, Tumbol Chalung, Amphur Hat Yai, Songkhla, Thailand	137,778/ 69,406	1 1/2 storey building, which we use as factory and warehouse	20/10/2016	Leasehold 30 years	October 2046	5	8,124
19	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	36	7,173
20	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	36	1,578

Analysis of Shareholdings

As at 27 September 2021

Total Issued Share (RM)	:	RM324,243,586.22
Total Issued Share	:	1,053,460,761 Ordinary Shares
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per Ordinary Share
Number of Shareholders	:	15,843

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	444	2.80	17,918	0.00
100 - 1,000	1,943	12.26	1,258,176	0.12
1,001 - 10,000	8,132	51.33	42,577,836	4.04
10,001 - 100,000	4,750	29.98	149,071,669	14.15
100,001 to less than 5% of issued shares	570	3.60	469,943,480	44.61
5% and above of issued shares	4	0.03	390,591,682	37.08
Total	**15,843**	**100.00**	**1,053,460,761**	**100.00**

LIST OF DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDING AS AT 27 SEPTEMBER 2021

Name of Directors	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Tun Dato' Seri Arshad Ayub	15,410,000	1.46	5,200,000[(1)]	0.49
Dato' Dr. Ong Eng Long @ Ong Siew Chuan	860,000	0.08	-	-
Prof. Dato' Dr. Adeeba binti Kamarulzaman	-	-	-	-
Dato' Edward Siew Mun Wai	-	-	-	-
Wong Yien Kim	-	-	-	-
Lam Jiuan Jiuan	19,087,456	1.81	262,402,056[(2)]	24.91
Goh Yen Yen	72,062,456	6.84	-	-
Goh Leng Kian	41,468,865	3.94	184,823,750[(3)]	17.54
Goh Miah Kiat	48,650,097	4.62	184,250,000[(4)]	17.49

Analysis of Shareholdings

As at 27 September 2021

LIST OF SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 27 SEPTEMBER 2021

Name of Substantial Shareholders	Direct Holdings		Indirect Holdings (excluding bare trustees)	
	No.	%	No.	%
Karex One Limited	184,250,000	17.49	-	-
Lam Yiu Pang Albert	64,312,456	6.10	217,177,056[5]	20.62
Lam Jiuan Jiuan	19,087,456	1.81	262,402,056[2]	24.91
Goh Leng Kian	41,468,865	3.94	184,823,750[3]	17.54
Goh Yen Yen	72,062,456	6.84	-	-
Goh Yin	78,952,170	7.49	-	-
Goh Ai Noi	-	-	209,412,456[6]	19.88
Goh Miah Kiat	48,650,097	4.62	184,250,000[4]	17.49

(1) Deemed interested by virtue of interest held by Zalaraz Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.

(2) Deemed interested by virtue of her interest in AJNA Holdings Limited, Maharani 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.

(3) 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.

(4) Deemed interested by virtue of his interest in Karex One Limited pursuant to Section 8 of the Companies Act 2016.

(5) Deemed interested by his interest in AJNA Holdings Limited and Maharani Limited pursuant to Section 8 of the Companies Act 2016 and interest held by his spouse.

(6) Deemed interested by virtue of her interest in Karex One Limited and Jeyya Ltd pursuant to Section 8 of the Companies Act 2016.

Thirty Largest Shareholders

As at 27 September 2021

No.	Name of Shareholders	No. of Shares	%
1.	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR BNP PARIBAS SINGAPORE BRANCH (A/C CLIENTS-FGN)	175,264,600	16.64
2.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. CIMB FOR GOH YIN (PB)	78,952,170	7.49
3.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GOH YEN YEN (PB)	72,062,456	6.84
4.	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR LAM YIU PANG ALBERT (PB)	64,312,456	6.10
5.	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DAVIN THOMAS WEDEL	48,423,500	4.60
6.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GOH LENG KIAN (PB)	27,468,865	2.61
7.	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR JEYYA LIMITED (PB)	25,162,456	2.39
8.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH MIAH KIAT	22,300,000	2.12
9.	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR LAM JIUAN JIUAN (PB)	19,087,456	1.81
10.	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH MIAH KIAT	17,350,000	1.65
11.	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR AJNA HOLDINGS LIMITED (PB)	12,825,000	1.22
12.	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STANDARD CHARTERED BANK SINGAPORE BRANCH (BJSSSGBR-CL-FR)	11,601,750	1.10
13.	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR KAREX ONE LIMITED (PB)	10,000,000	0.95
14.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ARSHAD BIN AYUB (MY1393)	9,150,000	0.87
15.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GOH MIAH KIAT (PB)	9,000,097	0.85
16.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH LENG KIAN	9,000,000	0.85
17.	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD AS BENEFICIAL OWNER (TMEF)	6,572,000	0.62
18.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ARSHAD BIN AYUB	6,260,000	0.59
19.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (HK BR-TST-ASING)	6,250,000	0.59
20.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ZALARAZ SDN BHD (MY3113)	5,200,000	0.49

Thirty Largest Shareholders

As at 27 September 2021

No.	Name of Shareholders	No. of Shares	%
21.	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH LENG KIAN	5,000,000	0.47
22.	MAYBANK INVESTMENT BANK BERHAD IVT (10)	4,917,200	0.47
23.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR QUEK SEE KUI	4,721,100	0.45
24.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN TECK SOON (E-SS2)	4,700,000	0.45
25.	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR ORBIS REX LIMITED (PB)	4,523,625	0.43
26.	HUANG HWA YONG	4,093,400	0.39
27.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB BANK BERHAD (EDP 2)	3,500,000	0.33
28.	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD AS BENEFICIAL OWNER (PF)	3,037,000	0.29
29.	CHOY WEE CHIAP	2,950,000	0.28
30.	TAN TIAN SOON	2,729,900	0.26
	TOTAL	**676,415,031**	**64.20**

Notice of Ninth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Ninth Annual General Meeting ("9th AGM") of Karex Berhad ("Karex" or "Company") will be conducted on a fully virtual and live-stream from Online Meeting Platform at https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC - D6A357657) using Remote Participation and Electronic Voting Facilities ("RPEV") on Monday, 29 November 2021 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 2021 together with the Reports of the Directors and the Auditors thereon.

(Refer to Explanatory Note (a))

2. To re-elect Mr Goh Leng Kian who is retiring in accordance with Clause 97 of the Company's Constitution, and being eligible, has offered himself for re-election.

(Ordinary Resolution 1)

3. To re-elect Ms Lam Jiuan Jiuan who is retiring in accordance with Clause 97 of the Company's Constitution, and being eligible, has offered herself for re-election.

(Ordinary Resolution 2)

4. To re-elect Dato' Edward Siew Mun Wai who is retiring in accordance with Clause 104 of the Company's Constitution, and being eligible, has offered himself for re-election.

(Ordinary Resolution 3)

5. To approve the payment of directors' fees of RM634,167.00 for the financial year ended 30 June 2021.

(Ordinary Resolution 4)

6. 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 RM61,000.00 for the financial period from 1 December 2021 to 30 November 2022.

(Ordinary Resolution 5)

7. To re-appoint Messrs KPMG PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to 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. **Continuation in Office of Independent Non-Executive Directors**

   (a) "THAT approval be and is hereby given to Tun Dato' Seri Arshad Bin Ayub who has served as an Independent Non-Executive Director of the Company for a cumulative term of about 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."

   (Ordinary Resolution 7)

   (b) "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 about 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."

   (Ordinary Resolution 8)

9. **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 9)

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

BY ORDER OF THE BOARD
LIM LEE KUAN (SSM PC NO. 202008001079) (MAICSA 7017753)
TEO MEE HUI (SSM PC NO. 202008001081) (MAICSA 7050642)
ELIZABETH ALLISON DE ZILVA (SSM PC NO. 202008002112) (MAICSA 7030086)
Company Secretaries

Selangor Darul Ehsan
Dated this 29th day of October 2021

Notice of Ninth Annual General Meeting

Notes:

1) *In support of the Government of Malaysia's (the Government) ongoing efforts to contain the spread of the Coronavirus (COVID-19), the Company would like to leverage on technology advancement by conducting the Ninth Annual General Meeting of the Company (the Meeting or AGM) on a fully virtual basis through electronic live streaming and online remote voting, pursuant to Section 327(2) of the Companies Act 2016 and Clause 59 of the Company's Constitution. The Company will be using Boardroom's LUMI AGM solution at https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC - D6A357657). Please follow the procedures as stipulated in the Administrative Details for the Meeting in order to register, participate and vote virtually.*

2) *The electronic means of conducting the AGM on a fully virtual basis will facilitate and enable all shareholders to participate fully in the proceedings by audio and/or video capabilities without the need to be physically present at the Meeting venue, which is advantageous given the current circumstances relating to COVID-19 and best health practices. No member(s) or proxy(ies) or corporate representative(s) or attorney(s) shall be physically present or allowed to enter the broadcast venue on the day of the AGM.*

3) *A member entitled to virtually attend and vote at the above Meeting is entitled to appoint a proxy or proxies to exercise all or any of his rights to virtually attend, participate, interact and vote in his/her stead, in accordance with the Administrative Details.*

4) *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.*

5) *Where a member is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each Securities Account it holds in ordinary shares of the Company standing to the credit of the said Securities Account.*

6) *Where a member 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. Where the Exempt Authorised Nominee appoints two (2) or more proxies to attend and vote at the same meeting, such appointment shall be invalid unless the Exempt Authorised Nominee specifies the proportion of his holdings to be represented by each proxy.*

7) *The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.*

8) *The instrument appointing a proxy 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 or via electronic means through the Boardroom Smart Investor Portal at https://investor.boardroomlimited.com (please follow the procedures as stipulated in the Administrative Details) not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.*

9) *Shareholders/proxies/corporate representatives are encouraged to refer to the procedures set out in the Administrative Details in order to participate remotely.*

10) *Date of Record of Depositors for the purpose of determining Members' entitlement to attend, vote and interact at the Annual General Meeting is 22 November 2021.*

EXPLANATORY NOTES ON ORDINARY AND SPECIAL BUSINESS:

a) *Item 1 of the Agenda*
Audited Financial Statements for the financial year ended 30 June 2021

This Agenda item is meant for discussion only, as the provisions of Section 248 and Section 340 (i)(a) of the Companies Act, 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

b) *Retirement of Director*

Mr Wong Yien Kim who was appointed as an Independent Non-Executive Director of the Company on 30 November 2012 will retire in accordance with Clause 97 of the Company's Constitution. He has informed the Board of his intention to retire as a Director and therefore would not be seeking for re-election at this Annual General Meeting. Hence, he will retire from his office upon the conclusion of the 9th AGM.

c) *Ordinary Resolutions 4 & 5*
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 9th AGM for the payment of Directors' fees and benefit payable to the Directors in two (2) separate resolutions as below: -

(i) Resolution 4 on the proposed directors' fees of RM634,167.00 in respect of the financial year ended 30 June 2021;

(ii) Resolution 5 on the payment of directors' benefits (excluding directors' fees) payable to the Directors of the Company and its subsidiaries up to an amount of RM61,000.00 for the financial period from 1 December 2021 to 30 November 2022. The benefits comprise the meeting allowance, which will only be accorded based on actual attendance of meetings by the Directors.

d) *Ordinary Resolutions 7 & 8*
Continuation in Office of Independent Non-Executive Directors

The proposed Ordinary Resolutions, if passed, will allow the named Directors to remain as Independent Directors notwithstanding that they have served a cumulative term of about nine years as Independent Directors.

The tenures of two (2) Independent Non-Executive Directors, namely Tun Dato' Seri Arshad Bin Ayub and Dato' Dr. Ong Eng Long @ Ong Siew Chuan would reach nine (9) years on 30 November 2021 and 29 July 2022 respectively.

The Board after the annual assessment of the independence of Tun Dato' Seri Arshad Bin Ayub and Dato' Dr. Ong Eng Long @ Ong Siew Chuan, who have served as Independent Non-Executive Directors of the Company for a cumulative term of about nine (9) years, had recommended them to remain as Independent Non-Executive Directors of the Company despite their tenures in the Board based on the following justifications:-

1) They fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Securities, and thus, they would be able to provide check and balance and bring an element of objectivity to the Board;

2) They have cumulative knowledge of the Group's business and operation, and have made and continue to make valuable contributions through their role in the Audit Committee;

3) They have devoted sufficient time and attention to their professional obligations for informed and balanced decision making by actively participating in board discussions and provided an independent voice to the Board through their vast experience in various industries; and

4) They have exercised their due care during their tenures as Independent Non-Executive Directors of the Company and carried out their professional duties in the best interest of the Company and shareholders.

e) *Ordinary Resolution 9*
Authority to Issue and Allot Shares

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

This is the renewal of the mandate obtained from the shareholders at the last Annual General Meeting ("the previous mandate"). The previous mandate was not utilised and no proceeds were raised. The purpose of this general mandate sought will provide flexibility to the Company for any possible fund-raising activities but not limited for further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

Form of Proxy

KAREX BERHAD
(Registration No. 201201034091 (1018579-U))
(Incorporated in Malaysia)

Number of Shares Held	
CDS Account No.	

* I/We ____

NRIC/No./Passport/No./Company No. ______________________________

of ____

____

Telephone No. ________________________ being a Member(s) of KAREX BERHAD (201201034091 (1018579-U)), hereby appoint

Name	E-Mail Address and Telephone No.	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 Ninth Annual General Meeting ("9th AGM") of the Company to be conducted on fully virtual from the online meeting platform provided by Boardroom Share Registrars Sdn Bhd in Malaysia via its website at http://meeting.boardroomlimited.com (Domain Registration No. with MYNIC - D6A357657) on Monday, 29 November 2021 at 10:00 a.m. or at any adjournment thereof and to vote as indicated below:

Ordinary Resolutions		For	Against
	Ordinary Business		
1.	To re-elect Mr Goh Leng Kian as a Director of the Company		
2.	To re-elect Ms Lam Jiuan Jiuan as a Director of the Company		
3.	To re-elect Dato' Edward Siew Mun Wai as a Director of the Company		
4.	To approve the payment of directors' fees		
5.	To approve the payment of directors' benefits (excluding directors' fees)		
6.	To re-appoint Messrs KPMG PLT as Auditors of the Company		
	Special Business		
7.	To approve the continuation in office of Independent Non-Executive Director, Tun Dato' Seri Arshad Bin Ayub		
8.	To approve the continuation in office of Independent Non-Executive Director, Dato' Dr. Ong Eng Long @ Ong Siew Chuan		
9.	To approve the 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 ________________ 2021

____
Signature/Common Seal of Shareholder

Notes:

1) In support of the Government of Malaysia's (the Government) ongoing efforts to contain the spread of the Coronavirus (COVID-19), the Company would like to leverage on technology advancement by conducting the Ninth Annual General Meeting of the Company (the Meeting or AGM) on a fully virtual basis through electronic live streaming and online remote voting, pursuant to Section 327(2) of the Companies Act 2016 and Clause 59 of the Company's Constitution. The Company will be using Boardroom's LUMI AGM solution at https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC - D6A357657). Please follow the procedures as stipulated in the Administrative Details for the Meeting in order to register, participate and vote virtually.
2) The electronic means of conducting the AGM on a fully virtual basis will facilitate and enable all shareholders to participate fully in the proceedings by audio and/or video capabilities without the need to be physically present at the Meeting venue, which is advantageous given the current circumstances relating to COVID-19 and best health practices. No member(s) or proxy(ies) or corporate representative(s) or attorney(s) shall be physically present or allowed to enter the broadcast venue on the day of the AGM.
3) A member entitled to virtually attend and vote at the above Meeting is entitled to appoint a proxy or proxies to exercise all or any of his rights to virtually attend, participate, interact and vote in his/her stead, in accordance with the Administrative Details.
4) Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
5) Where a member is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each Securities Account it holds in ordinary shares of the Company standing to the credit of the said Securities Account.
6) Where a member 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. Where the Exempt Authorised Nominee appoints two (2) or more proxies to attend and vote at the same meeting, such appointment shall be invalid unless the Exempt Authorised Nominee specifies the proportion of his holdings to be represented by each proxy.
7) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
8) The instrument appointing a proxy 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 or via electronic means through the Boardroom Smart Investor Portal at https://investor.boardroomlimited.com (please follow the procedures as stipulatied in the Administrative Details) not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
9) Shareholders/proxies/corporate representatives are encouraged to refer to the procedures set out in the Administrative Details in order to participate remotely.
10) Date of Record of Depositors for the purpose of determining Members' entitlement to attend, vote and interact at the Annual General Meeting is 22 November 2021.

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Affix Stamp

The Company Secretary
KAREX BERHAD
(201201034091 (1018579-U))
10th Floor, Menara Hap Seng,
No. 1 & 3 Jalan P. Ramlee
50250 Kuala Lumpur

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