

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Dr. Ong Eng Long @ Ong Siew Chuan

Chairman
Senior Independent
Non-Executive Director

Professor Dato' Dr. Adeeba binti Kamarulzaman

Independent
Non-Executive Director

Dato' Edward Siew Mun Wai

Independent Non-Executive Director

Chew Fook Aun

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

Dato' Edward Siew Mun Wai

Chairman
Independent
Non-Executive Director

Professor Dato' Dr. Adeeba binti Kamarulzaman

Member Independent Non-Executive Director

Chew Fook Aun

Member Independent Non-Executive Director

NOMINATION COMMITTEE

Professor Dato' Dr. Adeeba binti Kamarulzaman

Chairwoman Independent Non-Executive Director

Dato' Edward Siew Mun Wai

Member
Independent
Non-Executive Director

Chew Fook Aun

Member and Alternate Chairman Independent Non-Executive Director

Lam Jiuan Jiuan

Member Non-Independent Non-Executive Director

RISK MANAGEMENT COMMITTEE

Lam Jiuan Jiuan

Chairwoman Non-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

Chew Fook Aun

Member Independent Non-Executive Director

REMUNERATION COMMITTEE ("RC")

Dato' Edward Siew Mun Wai

Chairman Independent Non-Executive Director

Professor Dato' Dr. Adeeba binti Kamarulzaman

Member Independent Non-Executive Director

Chew Fook Aun

Member Independent Non-Executive Director

Goh Yen Yen

Member Non-Independent Non-Executive Director ANNUAL REPORT 2023 ABOUT US

CORPORATE INFORMATION

ESOS COMMITTEE (Sub-Committee of RC)

Chew Fook Aun

Chairman
Independent
Non-Executive Director

Dato' Edward Siew Mun Wai

Member Independent Non-Executive Director

Lam Jiuan Jiuan

Member Non-Independent Non-Executive Director

COMPANY SECRETARIES

Lim Lee Kuan

(SSM PC No. 202008001079) (MAICSA 7017753)

Teo Mee Hui

(SSM PC No. 202008001081) (MAICSA 7050642)

Elizabeth Allison De Zilva

(SSM PC No. 202008002112) (MAICSA 7030086)

REGISTERED OFFICE

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

Tel : +603-2382 4288 Fax : +603-2382 4170

Email: TMFKL-CoSec@tmf-group.com

MANAGEMENT OFFICE

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Lot 594, Persiaran Raja Lumu

Email : enquiry@karex.com.my

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd (199601006647 (378993-D))

11th Floor, Menara SymphonyNo. 5, Jalan Professor Khoo Kay KimSeksyen 1346200 Petaling Jaya

Selangor Darul Ehsan, Malaysia

Tel : +603-7890 4700 Fax : +603-7890 4670 Email : BSR.Helpdesk@

boardroomlimited.com

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 Malayan Banking Berhad RHB Bank Berhad United Overseas Bank (Malaysia) Berhad

Alliance Bank Malaysia Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia

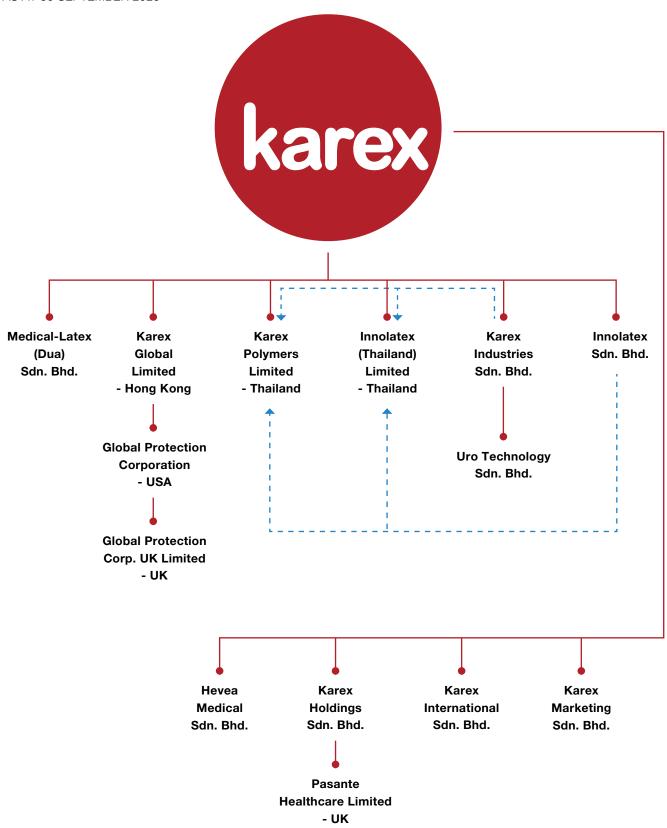
Securities Berhad Stock Name: KAREX Stock Code: 5247



ABOUT US KAREX BERHAD

CORPORATE STRUCTURE

AS AT 30 SEPTEMBER 2023



KEY STRATEGIES



CORE COMPETENCIES

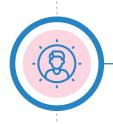
The global macroeconomic climate has challenged manufacturers all around the world to maintain and develop efficiencies in order to remain competitive. Inflationary pressures, tightening regulations and labour availability are some of the many challenges that require our focus to address. A lot of time and effort is constantly being put into modernising our existing facilities and expanding where necessary to ensure we improve our cost-competitiveness and that we are always equipped to support our customers.

INNOVATION



Innovation has been a critical component of our business strategy in allowing us to not only adapt to the changing needs of consumers within the sexual health space but to also better anticipate changes and prepare for opportunities as they have been presented. Our continued investment into research and development has allowed us to deliver unique product solutions for our customers and is expected to play an even more pivotal role in the years to come as sexual health education improves and the search for the next generation of condoms progresses.

BRANDING



Transitioning from a global manufacturer into a brand owner has been a critical phase of our journey. Brand ownership and management has allowed us to effectively develop product recognition and provide our customers with the quality assurance that many other manufacturers are not simply able to. A diversified approach to branding has also enabled us to draw on feedback from a spectrum of demographics around the world and better understand our end users' requirements and preferences.

HUMAN CAPITAL



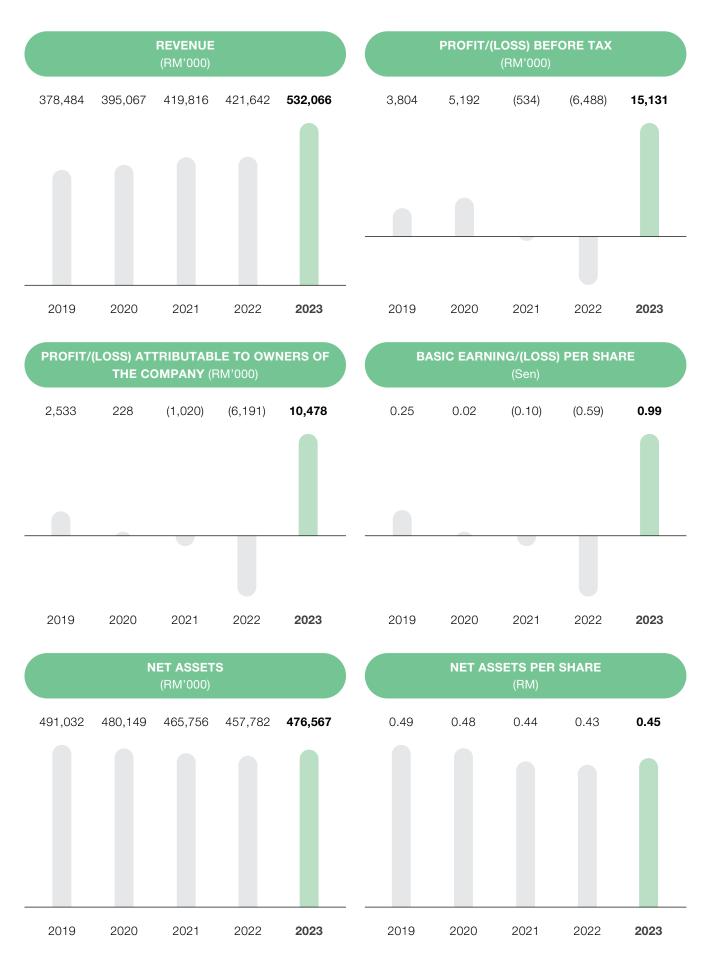
Our people represent the accumulated knowledge, skills, experience and culture of our Group. A focus on human capital entails not merely recruiting the best available talent for each vacancy, but also ensuring that the working environment and systems that we have in place enable our employees to develop their skills and gain relevant experiences to fulfil their potential. We believe that a workplace that embraces diversity and entrepreneurship is best suited to this purpose and will ultimately allow our employees to deliver the best results for our Group.

FINANCIAL HIGHLIGHTS

			FINANCIAL	YEAR END	ED 30 JUNE	
		2019	2020	2021	2022	2023
	Financial Performance (RM'000)					
(i)	Revenue	378,484	395,067	419,816	421,642	532,066
(ii)	Profit/(Loss) before tax	3,804	5,192	(534)	(6,488)	15,131
(iii)	Profit/(Loss) attributable to owners of the Company	2,533	228	(1,020)	(6,191)	10,478
	Financial Position (RM'000)					
	Assets					
(i)	Total tangible assets	498,534	524,299	579,262	593,447	622,934
(ii)	Net assets	491,032	480,149	465,756	457,782	476,567
(iii)	Current assets	275,885	273,577	292,469	296,255	320,327
	Liabilities and Shareholders' Funds					
(i) ()	Current liabilities	85,368	106,960	157,744	160,968	171 010
(iv)						171,810
(v)	Paid-up share capital	281,980	281,980	324,244	324,244	324,244
(vi)	Shareholders' funds	491,032	480,149	465,756	457,782	476,567
	Per Share					
(i)	Basic earning/(loss) (sen) *	0.25	0.02	(0.10)	(0.59)	0.99
(ii)	Net assets (RM) **	0.49	0.48	0.44	0.43	0.45
	* Based on weighted average number					
	of shares issued ('000)	1,002,375	1,002,375	1,028,828	1,053,461	1,053,461
	** Based on number of shares issued ('000)	1,002,375	1,002,375	1,053,461	1,053,461	1,053,461
	Financial Ratios					
(i)	Return on total tangible assets (%)	0.51	0.04	(0.18)	(1.04)	1.68
(ii)	Return on shareholders' funds (%)	0.52	0.05	(0.22)	(1.35)	2.20
(iii)	Current ratio (times)	3.23	2.56	1.85	1.84	1.86
(iv)	Gearing ratio (times)	0.07	0.11	0.25	0.27	0.33
(v)	Gearing ratio net of cash (times)	N/A ^{a)}	0.11	0.13	0.22	0.26

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

FINANCIAL HIGHLIGHTS



CHAIRMAN'S STATEMENT





DEAR FELLOW SHAREHOLDERS,

The past year brought new and unexpected challenges with the war in Ukraine resulting in fresh uncertainty and inflationary pressures around the world. Many businesses experienced difficulties and the sexual health industry was not spared with several further condom manufacturers that had endured the hardships of the COVID-19 pandemic having to cease or significantly reduce operations as a result. These developments coincided with a period when global humanitarian aid efforts began re-shifting their focus on the fight against HIV/AIDS that had long fallen behind targets set by the United Nations many years ago.



DATO' DR. ONG ENG LONG @ ONG SIEW CHUAN

Chairman

Senior Independent Non-Executive Director

CHAIRMAN'S STATEMENT



The consequence of this divergence between supply and demand presented the Group with opportunities to capture new customers and markets that resulted in revenue growth of over 26% in comparison to the previous financial year's revenue total that was also a record at the time. Personal lubricants continued to represent an increasingly prominent product sub-segment within the sexual wellness suite of offerings, with sales having grown over 200% over the last 5 years alone.

The gradual resolution of supply chain disruptions caused by the COVID-19 pandemic resulted in the stabilisation of raw material prices as well as freight rates during the year. These macroeconomic factors coupled with the record sales achievements mentioned above resulted in a profit after tax of RM10.5 million representing an improvement of approximately RM16.7 million from the previous financial year.

Prioritisation of sustainability at the core of our business strategy continued to receive acknowledgment with the Group achieving our highest ever sustainability rating to date and continued inclusion on the FTSE4Good Bursa Malaysia Index. These indicators have become increasingly important to stakeholders with evidence indicating that sustainable strategies have led to greater long-term value creation and investor returns.

In April, we welcomed to the Board, Chew Fook Aun, who brings with him a wealth of experience having most recently served on the board of the Lai Sun Group of companies which is listed on the Hong Kong Stock Exchange. His extensive corporate experience with various international companies will enable him to provide our management team with invaluable insight as well as build on the strong culture of corporate governance that has been already established at Karex.

I am also pleased to report that in line with a return to profitability and as per our existing dividend policy, we announced an interim dividend of 0.5 sen per ordinary share following the release of our interim financial report for the fourth quarter ended 30 June 2023.

The extraordinary events of the last few years have made running a global business such as ours extremely challenging. I would like to acknowledge the wonderful effort of our management team for the very capable way in which they have led the business through this period as well as the collective efforts of our 3,500 employees. Their hard work and dedication have allowed us to deliver a strong year of recovery for Karex, however, it is my most sincere belief that there will be more to come.

DATO' DR. ONG ENG LONG @ ONG SIEW CHUAN Chairman

CEO'S MANAGEMENT DISCUSSION & ANALYSIS



MK GOHChief Executive Officer

INDUSTRY OVERVIEW

Not too long ago, the global AIDS pandemic seemed unstoppable with more than 2.5 million people contracting HIV each year and AIDS claiming over 2 million lives a year. In the years since then, effective treatment and access to contraception have made a commendable impact. The Joint United Nations Programme on HIV/AIDS ("UNAIDS") reports that an estimated 1.3 million new infections were reported in 2022, the fewest in decades.

Even more importantly, the most significant reduction in new infections over the past few decades have been among young people whom interventions were targeted at. These results are a testament to the efficacy of global humanitarian aid programmes as well as to the importance of ensuring that good quality and affordable contraception remain available to those most in need.

Furthermore, UNAIDS analysis shows that where HIV prevention funding has increased, HIV incidence has declined. In spite of the results, there remains concerns that the funding gap for global HIV is widening. Having increased substantially in the early 2010s, HIV funding has fallen back to the same level as in 2013. More funding for prevention programmes, especially among key populations, is badly needed as is smarter, more cost-effective use of those funds.

This is where condoms continue to play an integral role. Condoms remain the only method for simultaneously preventing HIV, other sexually transmitted infections, and unintended pregnancy. Moreover, they are inexpensive and have a cache of familiarity built up via decades of sexual health education. They are especially effective when used in conjunction with other prevention and treatment methods such as personal lubricants or antiretroviral therapy.

Recent years, however, have seen the defunding of condom programmes and reduced emphasis on sexual health education drives in many countries. As a result, there are concerns that future generations of young people will lack adequate information about condoms and access to them. A 2020 systematic review by UNAIDS reported that condom promotion programmes were still effective in changing attitudes, social norms and beliefs in favour of condom use. As a result, declining use of condoms since the pandemic points to a requirement to revive sexual health education drives in order to refresh demand for a very vital product.

CEO'S MANAGEMENT DISCUSSION & ANALYSIS

OPERATIONAL HIGHLIGHTS

The supply chain disruptions over the last few years coupled with the higher volume of sales following the pandemic created an urgent need to improve our inventory management systems. Some of the improvements that we implemented during the year include the construction of a new hub at our Hat Yai, Thailand facility allowing us to centralise packing operations as well as the expansion of our warehousing facilities to cater for greater volumes moving forward. These capital expenditure investments were supplemented with improvements to our enterprise resource planning system as well as a reorganisation of our planning teams in order to facilitate better internal communication and efficiencies throughout our supply chain.

As sexual health awareness improves, we receive an increasing number of enquiries from customers regarding personal lubricants. Customers are able to select from a variety of packaging styles as well as compounds ranging from silicone to water-based lubricants. As such, we have continued to explore new methods and equipment to scale up personal lubricant production to cater for the growing demand. Similarly, new machines were installed at our catheter facility that will yield better output and a lower reliance on manpower to cope with the growing demand of another key product segment.

As medical device regulations have evolved in recent times, our facilities are frequently subjected to independent audits conducted by third party regulators as well as international customers. Some of the upgrades to our facilities to improve quality consistency in line with these increasingly stringent requirements include enhancing the sterilisation and climate control of our personal lubricant facilities as well as installing electricity and pressure stabilisation systems to safeguard against surges or irregularities during the condom electronic testing process. Beyond merely quality audits, more of these compliance evaluations also consider aspects of operations such as social compliance and environmental emissions requiring more staff and expenditure in order to maintain certifications.

Our fully owned subsidiary Global Protection Corp. ("GPC") (based in the USA) was able to register significant sales growth as public sector condom distribution efforts resumed in the USA. We also expanded our direct-to-consumer operations for both ONE® Condoms and MyONE® Custom Fit™ online through collaborations with Amazon. GPC also built on its success from the previous year when the United States Food and Drug Administration acknowledged our brands as the first and only condom brands to be approved for anal sex.

We have since worked with a major retailer to develop the ONE® Backdoor Pack™, which launched on shelves nationwide across the USA during the year. This was highlighted in the media including on outlets such as Yahoo News and HIV Plus Magazine. In December 2022, Popular Science Magazine listed ONE® Condoms being cleared for anal use on its list of "The 100 Greatest Innovations of 2022".

Each year our research and development teams explore new ways to push the boundaries in search of the next generation of condoms. Several improvements were made to our formulation processes building on the commissioning of our own latex compounding plant several years ago. These improvements are aimed at providing us with a better control of the latex formulations used, allowing for greater yields of ultrathin condoms. Over the course of the last few years, we continued to ramp up our efforts to develop synthetic materials to offer customers a commercially viable alternative to traditional latex condoms. These investments in material development are expected to pay dividends once the requisite validations and clinical trials are completed.

We continue to recognise that a commitment towards all aspects of sustainability will be the best avenue to deliver long term value for our stakeholders. We have continued to build on the success of previous years by yet again improving our Environmental, Social and Governance sustainability score, achieving our highest ever score since being included on the FTSE4Good Index of Bursa Malaysia in June



CEO'S MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

As the dust settled in many communities following the COVID-19 pandemic, customers around the world found themselves searching for competent manufacturers to refill depleted inventories of condoms and lubricants that had been neglected during the past few years. Unfortunately, many manufacturers had also ceased operations or significantly downsized owing to the challenges of the pandemic. This provided our Group with the opportunity to capture new markets and offer fresh product solutions to customers leading to a record year of sales totalling RM532.1 million for the financial year ended 30 June 2023 ("FY2023"). This represents an increase of approximately 26.2% from the previous financial year that had also been a record sales total at the time.



The regularisation of logistics networks also facilitated the gradual normalisation of raw material prices and freight rates during the year. Although not fully returned to pre-pandemic levels during the financial year, this enabled better planning of raw material inventories and product deliveries to customers, ultimately resulting in an improvement in aggregate gross profit margins which surpassed 25% for the first time since the financial year ended 30 June 2020.

The effects of record sales and improving gross profitability were however dampened by elevated administrative expenses comprising of costs associated with maintaining certifications as well as investments into research and development. This spending represents the growing cost of business related to operating in such a globally regulated consumer products industry. Notwithstanding that, we recorded a profit before tax of RM15.1 million, representing an increase of RM21.6 million from the previous financial year and a return to profitability.

Cashflows from operations totalled RM7.0 million for the FY2023 which was also a marked improvement from the previous financial year and helped to contribute to a year end cash balance of RM31.8 million. The easing of logistics disruptions also eased the burden of uncertainty allowing us to normalise raw material inventories from previous year, however, the increase in semi-finished and finished goods and goods held in transit from a higher sales base ultimately resulted in an increase in inventories to RM157.7 million. Correspondingly, the current ratio improved marginally from the previous financial year to 1.86 times.

With the majority of equipment already installed at our glove facility in Hat Yai, Thailand, capital expenditures were reduced from the previous year to RM19.2 million and were mainly related to the installation of additional condom lines and expanding warehouse space. These investments continued to increase the non-current assets total to RM401.4 million and consequently total assets to RM721.7 million. We utilised several short-term facilities to fund increased working capital requirements during the year resulting in an increase in gearing ratio to 0.33 times and an increase in net assets per share to RM0.45 for the FY2023.

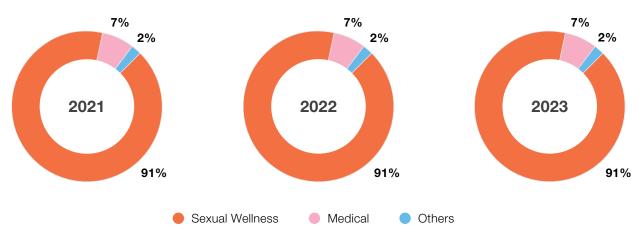
CEO'S MANAGEMENT DISCUSSION & ANALYSIS

Product Divisions

The Sexual Wellness division continued to account for 91% of overall sales. Whilst a recovery in condom sales was the main contributor to the division's performance, personal lubricants also registered yet another stellar year, growing over 25% from the previous year's record sales total. There remains a huge potential for this product sub-category as the market personal lubricants continues become increasingly regulated and sexual health education surrounding the product improves.

Medical division product sales comprising mainly of catheters and probe covers also increased by over 25% to keep pace with overall Group sales growth. Sales of catheters continued to account for the majority of Medical division sales with a significant improvement being registered following the installation of additional capacity that had limited production in the past few years. Delays in obtaining certifications coupled with unfavorable market conditions resulted in glove production being kept at a minimum during FY2023. Notwithstanding the current market conditions, sales of gloves are expected to pick up in the near-medium term in order to complement our Medical product portfolio.





CEO'S MANAGEMENT DISCUSSION & ANALYSIS

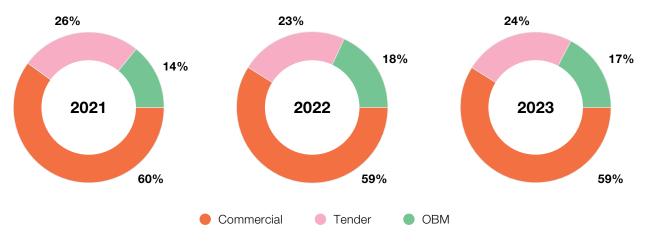
Market Segments

The recommencement of humanitarian aid projects around the world, specifically those focused on combating the spread of HIV/AIDS resulted in the receipt of many urgent orders during the year. Many non-governmental organisations that had been relying on past inventories whilst the world was focused on the COVID-19 pandemic began to place orders during the year, resulting in our highest tender segment sales total since 2018. These orders encompassed sales of both condoms and personal lubricants, further establishing that the baseline of sexual health education had progressed since the beginning of the COVID-19 pandemic.

Our Own Branded Manufacturing ("OBM") segment continued to thrive utilising a multi-brand approach. Our most premium offering, ONE® Condoms continued to make inroads by expanding to several markets in Asia. Our healthcare brands such as Pasante and Trustex also registered strong growth in sales during the year. The growth of sales within this market segment is expected to be catalyzed by the increasing adoption of e-commerce platforms around the world.

Commercial segment sales remained the core sales channel for both condoms and lubricants with many brand owners around the world acknowledging the value proposition that we offer as a manufacturer. We continue to remain competitive in terms of quality, cost, range of features as well as design capabilities. These traits along with our established track record as a proven manufacturer continue to be distinguishing factors as we continue to be the preferred choice for sexual health brands around the world. This segment is expected to continue to play a significant role as more of our research and development projects progress to commercialisation allowing us to offer our customers greater product differentiation.





CEO'S MANAGEMENT DISCUSSION & ANALYSIS

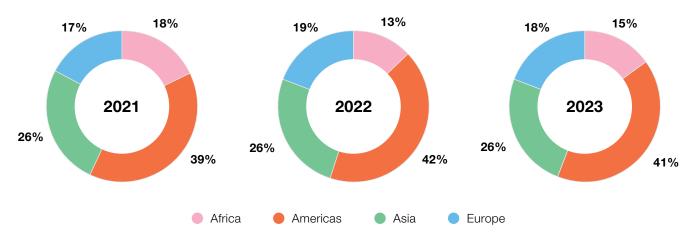
Geographical Regions

Despite maritime trade normalising following the COVID-19 pandemic, high levels of uncertainty and geopolitical unrest resulted in complications that meant many supply chains in Africa were slow to recover to pre-pandemic functionality. Many of these effects eased towards the end of 2022 and sales to the region followed suit, demonstrating growth in excess of 40% from the previous year's affected totals. These orders mainly comprised of tender sales as has been historically the case.

Sales to the Asia region continued to encompass a blend of both physical and digital channels, contributing 26% of overall Group revenue. Although China's stringent lockdown policies affected physical retail spending for an extended period even up till the end of 2022, many retailers expressed optimism as international tourism began to resume across the region indicating that the period ahead would be one to watch for sales to this region. Sales to the Europe region in comparison exhibited a much stronger recovery during the year as exampled by sales to the National Health Service in the United Kingdom increasing by 31% from the previous financial year.

As social activities resumed, sales to the Americas region, led by our subsidiary, GPC, continued to play a key role. Public sector channel sales were the highest ever in FY2023, as healthcare and education providers were able to expand sexual health education programs following the pandemic. This also meant that in the USA specifically, we were able to add more than 400 new customers in the public sector channel. This region is expected to represent a very diversified stream of revenue with sales from all market segments showing potential for growth.





CEO'S MANAGEMENT DISCUSSION & ANALYSIS

OUTLOOK

For all the gains made in the war against HIV, AIDS still claims 630,000 lives each year, mostly in marginalised and vulnerable communities. It is evident that investing into HIV prevention programmes has a tangible impact and a real chance of eradicating the HIV pandemic given sufficient consistency over the next few years. Unfortunately, there is also a growing funding gap in many of these areas putting the onus on affordable and effective solutions. We believe that condoms offered both through the tender market as well as via the private sector will have a very important role to play if the world is to achieve its goal of building the foundations of a sustainable AIDS response in the next few years.

With the increased use of personal lubricants during sexual encounters as well as by healthcare professionals for vaginal and rectal examinations, the industry has been increasingly regulated over the last few years. The United Nations Population Fund contributed to this by issuing a technical brief in May 2022 with the intention of ensuring that global efforts would result in the production, procurement and distribution of safe lubricants for all. These efforts have raised the barriers to entry and left many manufacturers who were unfamiliar with medical device regulations unable to compete, leaving fewer manufacturers to fill the rising demand. These developments undoubtedly represent an opportunity for us to capitalise on.

Whilst these developments illustrate the growth trajectory of the sexual health industry, it is also our belief that the investments in sustainability will continue to distinguish us from our competition. The consistent and transparent manner in which we have communicated our efforts towards achieving

our sustainable goals has provided customers with the comfort and confidence that they are working with an organisation focused on building long-term value.

Market conditions moving forward are expected to remain challenging, with further inflation and consumers facing continued financial pressures. Whilst we are mindful of these issues, we believe that we have emerged as a much more formidable organisation following these past few years and possess the necessary tools including a diverse team, a strong innovation pipeline and most

ACKNOWLEDGEMENTS

our customers.

importantly a culture focused on delivering effective solutions to

I have always asserted that Karex's greatest assets are our people. The changes that we have implemented in order to survive these past few years and begin our path to recovery would not have been possible without the dedication and efforts of our employees. I am grateful to each and every one of you, as well as our exceptional Board of Directors whom have offered invaluable guidance during this challenging period.

Finally, thank you to our shareholders for your trust and continued support. I strongly believe that our best days are in front of us, and I look forward to achieving new heights together.

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, Social and Governance ("EESG") aspects of our operations.

This statement covers our EESG 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 2022 to 30 June 2023 ("FY2023") 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. We have also, where possible, utilised quantitative data and set measurable targets to provide readers with comparative statistics as we progress towards our sustainability goals.

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. We have also during the year referenced the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") to further improve our sustainability reporting in anticipation of the global standards issued by the International Sustainability Standards Board.

Moreover, all our condom 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, business ethics and environmental performance. These audits are aimed at achieving greater transparency to demonstrate our EESG credentials in order to earn the trust of stakeholders that we work with.

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. Our continued inclusion and the achievement of our highest sustainability score to date are encouraging, however, stakeholders are always welcome to share their comments and suggestions about how we may further improve by sending an email to ir@karex.com.my.

SUSTAINABILITY GOVERNANCE

Our strategic governance framework ensures that we make responsible decisions that consider the EESG landscape to achieve our long-term growth that is inclusive for all the stakeholders in our value chain.

Sustainability matters amongst others, come under the purview of our Sustainability Working Committee that includes members and representatives from a variety of business units so that we may continue to consider sustainability as holistically as possible across the organisation. The key matters and initiatives are then presented to the Risk Management Committee and ultimately our Board of Directors ("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.

SUSTAINABILITY WORKING COMMITTEE

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

RISK MANAGEMENT COMMITTEE

- Reviews material sustainability matters and efforts with respective members from the Sustainability Working Committee
- Sets in place the EESG framework of our Group including targets and the approach towards achieving them
- Reports to our Board of Directors based on outcome of discussions

BOARD OF DIRECTORS

- Holistically reviews Group's sustainability efforts and approves of Sustainability Statement for inclusion in Annual Report
- Continuously considers macroeconomic factors against our EESG framework to ensure risks are appropriately mitigated

SUSTAINABILITY STATEMENT

STAKEHOLDER ENGAGEMENT/PRIORITISATION

We recognise that the success of business relies on developing strong and meaningful relationships with our stakeholders. We continue to utilise various channels to foster conversations with our stakeholders 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	CampaignsCustomer serviceEmail and video conferencing	Customer surveysSocial networkingOnline 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 	Team buildingAnnual performance appraisalsTownhallsEmails
Government Agencies Regulators, health authorities and international medical device standard agencies	 Social and compliance audits Industry and regulatory conferences Meetings and briefings 	Trade conventionsCharity eventsLocal council meetings
Vendors and Suppliers Contractors that provide services and products pertaining to the entire manufacturing process chain	 Commercial dealings Training conferences and workshops Outreach programmes Video conferencing 	Company sponsored eventsSupplier surveysVendor auditsEmails
Community Local communities where we operate and conduct our businesses	Charity functionsSporting eventsDialogue 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 June 2022. We utilised a step-by-step approach to identify a list of the matters and asked a range of stakeholders about which they prioritised in terms of importance for the year in consideration. These stakeholders included employees, suppliers, customers, government agencies and investors. This is the second time that we have conducted this assessment with the first having been conducted several years ago in June 2018.

The data collected was then considered against previous results and suggestions received from other stakeholders including regulators. We then worked with our operations teams to devise targets and gather data so that we were able to present stakeholders with updates on developments and issues that they considered material.

METHODOLOGY



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



Prioritisation and Engagement

A customised online survey was conducted to engage stakeholders 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.



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 Sustainability 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 Sustainability Working Committee.

SUSTAINABILITY STATEMENT

ASSESSMENT OF MATERIAL ISSUES

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 7 out of 10 of the issues identified. These initiatives that we have prioritised during the year including our continuing governance improvements have been selected as follows:

Most influential



Influential

Influence on Karex's Business

Most influential

ECONOMIC

- 1 Procurement Practices
- 2 Community

ENVIRONMENTAL

- 1 Waste Management
- 2 Climate Change
- 3 Supply Chain
- 4 Materials

SOCIAL

- 1 Diversity
- 2 Health and Safety
- 3 Labour Practices
- **4** Product and Services Responsibility

SUSTAINABILITY STATEMENT

We have also during the year committed to supporting the United Nations 2030 Agenda for Sustainable Development and have mapped the material matters identified in our materiality matrix against the key United Nations Sustainable Development Goals ("UN SDGs"). The key contributions and milestones pertaining to the UN SDGs are summarised below:

MATERIAL MATTERS

KEY ACHIEVEMENTS

RELATED UN SDGS

ECONOMIC

Community

- 79% of our spending has been sourced from local suppliers
- We donated a total of approximately RM300,000 in cash and over 1 million condoms to charitable causes including communities, education programs and non-governmental organisations





ENVIRONMENTAL

Waste Management

- We produced a total of 138 metric tonnes of high-quality crepe rubber sheets from the rubber scraps collected at our facilities
- Water conservation measures have resulted in a reduction of water consumption intensity by over 1.7% over the last two years





Climate Change

• For the FY2023, our total Scope 1 and Scope 2 greenhouse gas emissions from all manufacturing facilities was recorded at 33,965 CO₂ tonnes



Supply Chain

 As part of our Supplier Development Program, we conducted 41 supplier audits during the year, evaluating processes and quality controls but also adherence to the environmental, social and governance policies contained in our Supplier Code of Conduct





SOCIAL

Diversity

• We have continued to present increasingly detailed diversity metrics in an effort to promote transparency and meritocracy within our organisation



Health and Safety

- We have recorded zero work-related fatalities at our facilities for the past three years
- A total of 3,494 of our employees attended Health and Safety Awareness training during the year



Labour Practices

- A total of 67% of all our employees attended anti-corruption training during the year
- During the year, we received no substantiated complaints concerning human rights violations



GOVERNANCE

Governance Practices

 We continued to make updates to our Code of Conduct to provide guidance and recommendations on handling topics such as violations of anti-bribery, human rights, data protection, procurement and ethical business practices



Risk Management Practices

 We continued to conduct a comprehensive review on the key risks facing our Group to ensure risks are promptly identified and the appropriate mitigation strategies are designated



SUSTAINABILITY STATEMENT



ECONOMIC

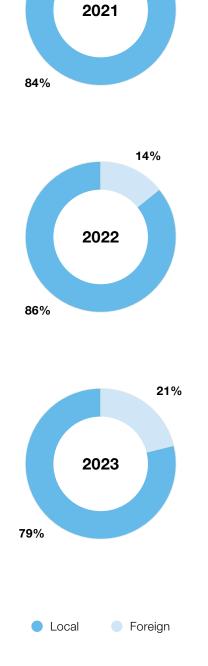
1. COMMUNITY

We have continued to make a concerted effort to work with suppliers and vendors from our local communities. We believe that in addition to procuring the best quality materials in the most cost-efficient manner, we must also continue to empower local businesses. This not only ensures that communities around us are given the opportunity to grow and benefit along with our business, but they also allow us to develop new partners that are able to offer us contingency or diversification benefits. Working with partners from our local communities also entails developing accountability for topics such as human rights and labour practices in order to improve on the implementation of certain risk mitigation measures. The data regarding the proportion of our suppliers comprising of local and foreign businesses for the last three financial years is presented below.

Suppliers by Origin (percentage of spending on all suppliers)

16%





SUSTAINABILITY STATEMENT

Apart from working with our local communities on commercial engagements, we have also consistently supported causes within proximity of our facilities, with many of these relationships beginning well before we obtained listing status. In Klang, Selangor, we have continued our support of a school for disabled children by providing funding for repair works as well as their utility bills. In Hat Yai, Thailand, we have provided scholarships and other sponsorships for events such as children sporting events held around the industrial estate where our Thai facility is situated. As we grow into a larger organisation, it is our ambition that our corporate social responsibility work within these communities will not only continue but also develop into more meaningful methods of contribution.

Improving the quality of corporate social responsibility engagements also requires support and commitment from our employees. To date, we have provided employees with replacement overtime compensation, transportation services, as well as meals in order to encourage employee involvement with our community partners. We have also during the year considered internal feedback and explored proposals from various external parties to develop more innovative structures with which we can foster better quality employee events and engagements.

We are also mindful to also continue to engage with the youth in our communities through various involvements. This includes our longstanding collaboration with the Malaysian Rubber Council ("MRC") to offer scholarships for promising undergraduates in a range of related fields including but not limited to Engineering, Environmental Science, Polymer Science and Logistics subjects. We have also worked with the MRC and local universities to host over 116 students as interns at our facilities between 2018 till 2023. These programs have been designed to provide students with real-world working experiences and an insight into the sexual health and rubber industries in Malaysia and Thailand. Many of these graduates have provided us with positive feedback and gone on to join as full-time employees following the completion of their respective scholarships and internships.

Although government restrictions limited our ability to attend seminars on campuses and host visitors at our facilities in person over the past few years, we managed to resume some of these engagements over the past few months. We contributed to events hosted by higher education providers such as Universiti Malaya and Brickfields Asia College where we were able to distribute condom samples as well as provide seminars on improving sexual health to destignatise condom usage as well as raise awareness for HIV.

Following the successful educational programmes for students over the years, we were also invited to the Hospital Sultan Abdul Aziz Shah to provide information and samples for a gynecology and contraception event during the year.

Other causes that we continue to support include non-governmental organisations ("NGOs") that continue to provide non-discriminatory support for marginalised communities. This includes the facilities operated by the Teratak Kasih Tok Nan who provide shelter for low-income HIV patients in rural Sarawak, the Community Health Care Clinic operated by the PT foundation who offer affordable and anonymous testing and treatment for anyone with sexual health concerns and the Pertubuhan Kesihatan Dan Kebajikan Umum Malaysia who provide support systems for sex workers and marginalised communities living with HIV.

We are a registered member of the Malaysian Business Consortium on HIV/AIDS (MBCH) and continue to run programs in partnership with the Malaysian AIDS Foundation including product donation drives, fundraising dinners as well as the hosting of awareness events to improve sexual health awareness amongst the youth. One of the programmes that we have created in conjunction with the Malaysian AIDS Foundation include an animated campaign titled "Kakak Kondom" that was utilised as a means of delivering relatable content over social media during the COVID-19 pandemic when in-person student events were not feasible.

The lifting of movement restrictions also allowed us to resume the in-person hosting of our annual charity event called "Art Against AIDS (AAA)". This year marked our eighth successive year inviting students and artists from around Malaysia to submit entries for an art competition centered around themes aimed at destigmatising HIV/AIDS. The charity auction format not only gives us a chance to showcase the artwork of entrants to collectors and enthusiasts from the creative community but also raise money for causes dear to our hearts. To date, AAA has raised over RM1.3 million in funds for various NGOs working towards fostering conversations on safer sex and ending discrimination towards people living with HIV.

For the FY2023, we donated a total of approximately RM300,000 in cash and over 1 million condoms to charitable causes including the communities, education programs and the causes detailed above. Over 600 individuals directly benefitted from these donations and our corporate social responsibility programmes.

SUSTAINABILITY STATEMENT

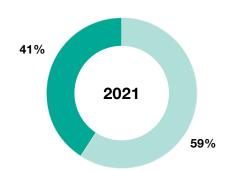


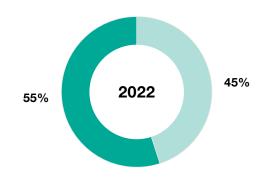
1. WASTE MANAGEMENT

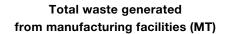
Ensuring that waste from our production processes is handled and disposed of responsibly is a key focus of our environmental sustainability efforts. If left unchecked, hazardous waste produced from our facilities has the potential to cause harm to our natural ecosystems and threaten public health. As such, we ensure that all our facilities remain compliant with the applicable regulations pertaining to waste management practices.

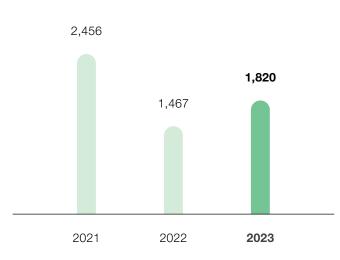
For the FY2023, our condom and medical devices facilities generated a total of 1,820 metric tonnes ("MT") of waste. Waste produced is inspected at regular fixed intervals so that it can be clearly identified, designated, inventoried and then stored in the appropriate manner as per the scheduled waste regulations. Hazardous waste is typically handled by a certified professional within each facility who ensures that the waste is stored in the appropriate containers, inventoried and eventually collected by licensed contractors for treatment and disposal. The increase in hazardous waste produced between 2022 and 2023 was due primarily to the substantial increase in production output of condoms that contributed to our record sales year. As these types of waste are often inevitable, it is imperative that proper procedures remain in place to ensure that this waste is handled appropriately. The date and method of disposal is noted as per the respective scheduled waste regulations in Thailand and the Environmental Quality (Scheduled Wastes) Regulations 2005 as prescribed by the Department of Environment in Malaysia.

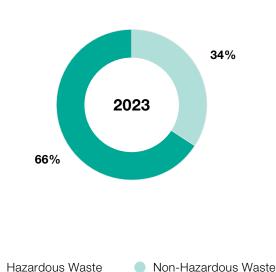
Percentage of waste generated by category



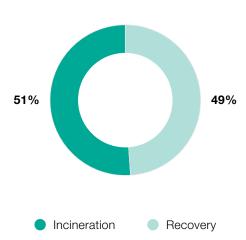








Disposal of hazardous waste by method for FY2023

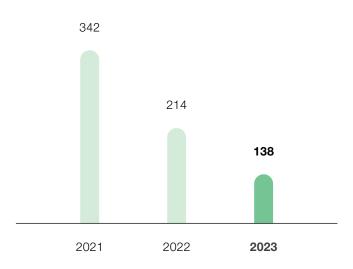


Non-hazardous waste generated from our facilities comprises of recyclable plastics, metals and paper and are either recycled or disposed of accordingly. Though by-products from our production processes are inevitable, we have gradually implemented recycling efforts including the installation of sedimentation tanks to recover slurry powder from the process of powdering of condoms. The powder recovered is able to be processed and reused again, thus, reducing our overall consumption of this raw material in the condom manufacturing process. In addition to recycling efforts, we have also implemented various initiatives to reduce waste such as working with suppliers to reuse packaging materials and pallets that can be refilled or reused in future deliveries as well as the increased digitisation of several processes to reduce paper consumption.

Another significant output from our manufacturing processes includes scrap rubber that is produced during production overruns, product defects and destructive batch testing. The scrap rubber produced is typically of high quality and as part of our efforts to adopt the principles of the circular economy, we have been working with notable research institutions such as the University of Nottingham to explore improved ways in which these scraps can be reused. One method that successfully preserves the qualities of the excess rubber from our manufacturing processes involves processing scraps into high quality rubber crepe sheets.

These rubber crepe sheets are then able to be resold to other manufacturers who were then able to utilise them in their own processes. We commenced tracking the amount of rubber crepe that we successfully sold to customers each year from 2021. Though the easing of supply chain disruptions and normalisation of rubber prices resulted in a decrease in demand for these products starting in 2021, we are continuously refining our processes in order to recycle our waste rubber into high quality products that properly reflect the value that has been added throughout the formulation, compounding and dipping processes.

Amount of rubber crepe produced from recycled rubber and sold to customers (MT)



Beyond the waste produced from our manufacturing processes, water is another key component used during our manufacturing processes that will result in a discharge requiring treatment before it can be released back into the environment or in certain cases recycled and reused. We are committed to complying with the relevant water regulations including the Environmental Quality Industrial Effluent Regulation 2009 in Malaysia. This involves ensuring that all the effluent that is produced is properly collected, treated and tested to confirm compliance with regulatory limits before it is discharged. In order to achieve this, all of our manufacturing facilities are equipped with the requisite equipment to measure and record parameters of discharged water including pH, suspended solids and dissolved minerals.

SUSTAINABILITY STATEMENT



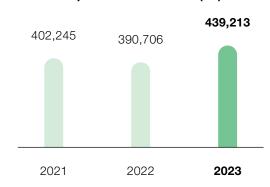
1. WASTE MANAGEMENT

Effluent samples are also collected and sent to external laboratories at defined intervals to ensure that wastewater is safe to be released back into the natural environment. Our manufacturing facilities in Port Klang, Selangor and Pontian, Johor have met the requirements to comply with Industrial Effluent Standard B while our facility in Senai, Johor has been able to comply with the more stringent specifications of Standard A. For the FY2023, government officials from the Department of Environment made five visits in total to our facilities in Thailand and Malaysia and found no instances of violations or breaches that resulted in fines of any sort.

We recognise that in addition to ensuring that water waste is properly treated before discharged, an effective method of improving our environmental sustainability impact is to practice more responsible water consumption habits. We have improved the monitoring of our water consumption across all our manufacturing facilities to not only promote efforts to conserve a precious natural resource but to also identify potential cost saving opportunities. Our Group's water usage is compiled based on data from our water withdrawal sources as well as data regarding our water output based on effluent discharge. The increase in water withdrawal during the year was the result of higher condom and personal lubricant production in comparison to the previous year. Water is used primarily in the process of former rinsing during the dipping stage of condom production as well as a key raw material in the production of personal lubricants.

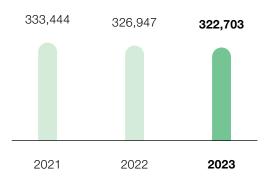


Total water withdrawal across all production facilities (m³)



Source of Water			
withdrawal (m³)	2021	2022	2023
Surface water	_	_	_
Ground water	_	_	-
Sea water	_	_	-
Third-party water			
Freshwater (≤1,000 mg/l Total Dissolved Solids)	402,245	390,706	439,213
Freshwater (>1,000 mg/l Total Dissolved Solids)	_	_	-

Total water discharge across all production facilities (m³)



 All water was discharged following strict treatment protocols into surface water reservoirs

Destination of water discharge (m³)	2021	2022	2023
Surface water	333,444	326,947	322,703
Ground water	_	_	-
Sea water	-	_	-
Third-party water	_	_	-

SUSTAINABILITY STATEMENT

To counter the increased usage of water required for production processes, we have implemented water conservation initiatives including the installation of rainwater harvesting facilities to supply water for tasks such as cleaning at our Hat Yai, Thailand facility as well as more widespread measures across all of our manufacturing lines such as the installation of flow meters and control valves to ensure that former rinsing and leeching processes deploy water more efficiently.

Although impactful, we feel that further improvements are possible and have committed to a short-term target of reducing the amount of water consumed as set out below. We will endeavor to keep stakeholders up to date on the progress of reaching this target as new initiatives are implemented.

Water Intensity (m³ per production hour)	2021	2022	2023
Condoms and probe covers	1.06	1.08	1.04

	WATER CONSERVATION TARGETS										
Description	:	Reducing the amount of water consumed per production hour for condoms and probe covers (products that employ a continuous dip process) by 2.5% within 5 years									
Baseline	:	Level of water intensity recorded during in 2021									
Progress in FY2023	:	As a result of the measures detailed above, water intensity has been reduced by 1.7% across all our manufacturing facilities in aggregate over the last two years proving to be encouraging progress									
Looking Ahead	:	We expect that the implementation of additional initiatives will keep us on track to achieving our goal									

2. CLIMATE CHANGE

We recognise that climate change is a global issue that will have irreversible repercussions and affect future generations if left unchecked. We support Malaysia's mitigation target to reduce carbon intensity against GDP by 45% from 2005 levels by 2030 and have taken steps to move towards more responsible energy consumption by managing our energy usage more efficiently, moving towards renewable energy sources and implementing systems that allow us to track our efficiencies.

Some of the immediate physical risks presented by climate change specific to our business include increased flooding that affected our manufacturing facilities during the year, as well as rising temperatures that have impacted latex quality during recent heatwaves. In addition to these risks, our business is also faced with transitional risks such as the impetus to move towards low carbon energies as well as evolving regulations in many of the regions that we export to.

These risks present very immediate and severe consequences and as such, we have taken steps towards ensuring that our business is sufficiently insulated moving forward.

Whilst we have installed better drainage and irrigation systems to improve our immediate flood prevention measures, we also recognise that cultivating a culture of responsible energy use is essential to addressing the long-term risks presented by climate change. Some of our recent initiatives include ensuring staff switch off lights and equipment outside of office hours, switching bulbs to energy efficient LEDs, installing motion sensors and solar panels progressively and switching our air conditioning to centrally controlled systems. We also analysed data regarding our liquid petroleum gas ("LPG") consumption to optimise condom batch sizes during the drying process in a bid to conserve consumption of this non-renewable resource.

SUSTAINABILITY STATEMENT

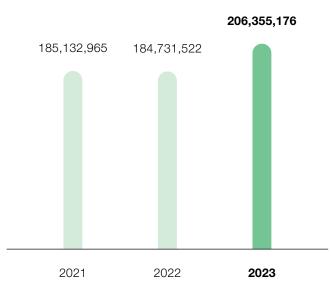


2. CLIMATE CHANGE

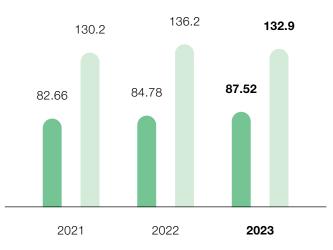
As we progressively incorporate greater degrees of automation to reduce our dependency on labour, we have also received more commercial orders with fully packaged product specifications. Although these factors have improved our production efficiencies and resulted in improved financial performance, they have also unavoidably caused an increase in overall energy consumption in recent years. Notwithstanding these factors, our Sustainability Working Committee has been working with our operations teams to analyse our electricity consumption data in order to search for points within the manufacturing processes that can be further optimised to derive energy savings in the future.

We have successfully maintained the ISO 14001:2015 Environmental Management System certification across all our condom manufacturing facilities, ensuring that each facility has in place an effective environmental management system. Our Thailand facility has also been accredited the ISO 50001 Energy Management System certification ensuring that energy management is integrated into efforts to improve quality and environmental sustainability. In addition to these certifications, we continue to perform routine internal audits to assess our environmental management systems for potential avenues of improvement as well as ensure that we remain compliant to the changes in regulations around the world.

Total Energy Consumption (MJ)



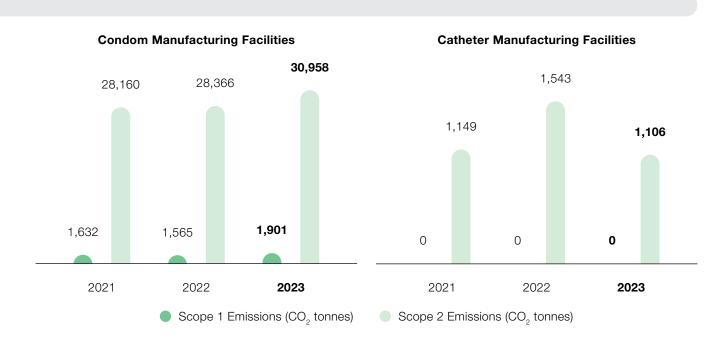
Manufacturing Energy Intensity (per production hour)



- Scope 1: Liquid Petroleum Gas (MJ/production hour)
- Scope 2: Electricity (kWh/production hour)

In our continued efforts to reduce our carbon footprint, we continue to install measuring equipment to track our energy consumption that contributes to carbon emissions. We have tabulated data regarding our Scope 1 and Scope 2 greenhouse gas ("GHG") emissions in accordance with the GHG Protocol guidelines. Scope 1 emissions relate to LPG combustion at our manufacturing facilities and are based on the "IPCC 2006 Guidelines for National Greenhouse Gas Inventories". Scope 2 emissions relate to electricity purchased and used across our Group and are based on the "Carbon Dioxide Emission Factors for Fuels – Methodology and Values for 2013 and 2016".

The increase in total energy consumed and resultantly GHG emissions during the year was due to the increase in production output across all of our manufacturing facilities. The stages of production that are the most energy intensive include the drying oven of the dipping process which requires constant and stable temperatures to be applied, as well as the electronic testing process of condom production during which each condom is tested before it can be deemed fit for use. We are actively searching for methods to reduce the energy intensity of these processes, however, small batch manufacture arising from new product validations, research and development or niche orders will typically contribute to a higher energy consumption as was the case in 2023.



In an effort to continue to evolve and progress our commitment towards mitigating our impact on climate change, we have this year considered the recommendations proposed by the TCFD. We have adopted the framework below in order to facilitate more effective climate-related disclosures with the intention that this will lead to more informed decision making in addressing the environmental risks and opportunities unique to our business and stakeholders.

TCFD Pillars	Our Initiatives
Governance Governance specific to climate-related risks and opportunities	We have in place an established system of governance specific to our sustainability efforts that encompasses involvement from representatives of each business unit as well as our leadership team and our Board. Details of this structure can be found on page 17 of this Report.
Strategy The actual and potential impacts of climate-related risks and opportunities on our decision making	The main potential climate-related risks faced by our Group can be broken down into the main categories of Waste Management and Climate Change. We have intensified our data collection efforts to identify and quantify our climate-related risks. We intend to utilise this information to develop specific targets that can be linked to key performance indicators and remuneration of our management team in order to facilitate an alignment of interests. These will in turn allow us to make better decisions at each level of our business and also provide stakeholders with better transparency regarding our decision making.
Risk Management The processes used to identify, assess and manage climate-related risks and opportunities	As we improve our EESG efforts, we continue to include more climate related risks in our Group's risk register. These risks are addressed by business unit leaders and ultimately considered by our Risk Management Committee and Board in order to ensure our strategies encompass the appropriate risk mitigation measures. More details of our risk management and internal control protocols are contained on page 67 to page 70 of this Report.
Metrics and Targets The data and targets used to assess and manage climate-related risks and opportunities	We have continued to improve our data collection and disclosure regarding energy consumption as well as our GHG emissions. This data has allowed us to set targets regarding water conservation as well as carbon impact. The progress of working towards achieving these targets will be shared with all stakeholders.

SUSTAINABILITY STATEMENT



2. CLIMATE CHANGE

Having considered the data collected, we set out a specific target for our various operations teams to improve energy efficiencies in the previous financial year as set out below. Achieving these targets will require a holistic effort encompassing new technologies and innovations but also a consistent effort to improve awareness within the organisation. We aim to combine this progress tracking with improvements in our data collection and reporting to provide our stakeholders with more transparency to enhance our climate change disclosures moving forward.

CARBON IMPACT TARGETS

Description: Drive a reduction in our absolute Scope 1 and Scope 2 GHG emissions from 2022 to 2035. Reduction of 5% by 2026 and 10% by 2035

Baseline : Combined Scope 1 and Scope 2 GHG emissions from 2021, recorded at 30,941 tonnes

of CO₂

Progress in FY2023: Our Scope 1 and Scope 2 emissions increased by 3,024 tonnes of CO₂ in comparison

to the 2021 baseline due to an increase in overall production output

Looking Ahead : We expect that continued investments in renewable energy and equipment optimisation

will result in improvements to our carbon impact in the upcoming year



SUSTAINABILITY STATEMENT

3. SUPPLY CHAIN

Our commitment to sustainability extends to ensuring that our procurement practices are ethical and considerate of their impact on climate change. The turbulence in global supply chains encountered over the COVID-19 pandemic highlighted the importance of conducting proper due diligence and selecting vendors based on transparent criteria who are also committed to creating value and enhancing efficiencies by employing sustainable business practices.

In order to ensure that our vendors, contractors and service providers are made aware of our ethical and environmental policies as they evolve, we have established a Supplier Code of Conduct. This document covers our expectations with regards to energy utilisation, climate change, water consumption, biodiversity, sourcing of materials, labour practices and safety protocols amongst others, and are intended to be mutually beneficial in helping all parties to ensure that risks are properly identified and mitigated.

The Supplier Code of Conduct is updated when necessary and sent via email to all vendors upon each business engagement as well as frequently referenced during key milestones such as the issuance of purchase orders. Vendors are also able to access the latest copy of our Supplier Code of Conduct at all times in a variety of languages from our website. The details of the policies are elaborated on and reinforced via frequent training and engagement during the year under our Supplier Development Program and extend not just to environmental policies but also towards developing an ethical supply chain.

As part of our Supplier Development Program in FY2023, we conducted 41 audits to suppliers, evaluating processes and quality controls but also adherence to the environmental, social and governance policies contained in our Supplier Code of Conduct as well. These comprehensive audits involve site inspections as well as interviews with staff from different business units, implementing the knowledge that we have gained through the four pillar SMETA audits conducted by externally accredited audit firms.

Our efforts in our Supplier Development Program are also supplemented by risk assessments that are conducted during the due diligence process when evaluating potential new suppliers as well as continuously via questionnaires for our existing suppliers. In addition to the potential new suppliers that we considered, a total of 59 of our existing suppliers were evaluated during the year to determine our risk exposure and consequently to develop contingency plans to mitigate supply chain risks classified as high risk.

Our environmental supply chain efforts also extend downstream to working with our customers on developing packaging designs that utilise less single use plastics and non-recyclable materials. Some of the efforts include promoting the use of paper foils for condoms, utilising recycled paper for cartons and outer boxes as well as printing instruction for use information on product packaging as opposed to including a separate leaflet as has traditionally been the case. For the FY2023, we commenced data collection of our paper packaging consumption and noted that we used a total of 1,337 tonnes of recycled paper, primarily in the production of outer and inner boxes for our products. In this context, recycled paper is comprised of a minimum of 85% non-virgin materials.

We also frequently work with international organisations including the International Organisation for Standardisation (ISO) to develop better industry-wide practices even amongst suppliers that we have yet to encounter firsthand. Our continued participation on the ISO Technical Committee 157 – Non-systemic Contraceptives and STI Barrier Prophylactics has enabled us to contribute to the development of quality standards as well as business processes throughout the condom industry supply chain. Similar work with organisations such as the Malaysia Rubber Council and the Fair Rubber Association have enabled us to provide re-assurance to our customers regarding the quality and sustainability of the latex used by our Group.

SUSTAINABILITY STATEMENT



1. DIVERSITY

Discrimination in its many forms remains a key deterrent to progress in the war against HIV. Not only does discrimination discourage open sexual health conversations, but data has also shown that it hinders access to services such as HIV testing. Recent Joint United Nations Programme on HIV/AIDS ("UNAIDS") survey data shows that more than 10% of people living with HIV experienced stigma and discrimination in health-care settings in 10 of 12 countries surveyed. Hard-earned progress in the lesbian, gay, bisexual, transgender, queer, intersex and asexual ("LGBTQIA") community has also come under threat with continuing reports of prejudicial violence and the introduction of legislation restricting the rights of LGBTQIA persons.

Serving these communities as a leader within the sexual health industry, we recognise that in order to make a meaningful impact against HIV and deliver effective solutions to those in need, we must lead by example. We take great care to emphasise the importance of embracing different perspectives and demonstrating mutual respect so that we are able to ensure that employees across our global organisation continue to feel accepted for their own unique personalities and in doing so, are provided a platform to fully realise their potential. Our stance is formally disclosed within our Diversity and Inclusion policy which is regularly communicated to our staff and extends to our director nominations via our Board Diversity Policy, both of which can be accessed at any time on our website.

We are committed to providing equal opportunities for our employees and a zero-tolerance stance against discrimination or harassment based on race, religion, gender expression, age, disability status or sexual orientation. We continued to expand and implement initiatives aimed at dissipating stereotypes across all of our facilities. These include the provision of disabled and gender-neutral toilets, removal of gender, religious and sexual preference data from recruitment criteria as well as provided free transportation and accommodation for those employees living far away from our facilities that do not have access to public transport. As a testament to the uniformity in which we have applied these efforts across our entire Group, our subsidiary in the UK, Pasante Healthcare Limited was recognised as a "Finalist in Diversity and Inclusion" this year by the Sussex Chamber Business Awards.

This culture has also allowed us to continue to create a dynamic environment as demonstrated by the diversity statistics below encompassing employees from a range of ethnicity and age groups. The Industrial Estate Authority of Thailand recently 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. This particular independent assessment also evaluated the benefit system, worker welfare and operational health and safety at our facility.

Total Group Employees

	2021	2022	2023
Total Employees	3,417	3,213	3,494

Gender Diversity

Board of Directors

	Fen	nale	Ma	ile
	Number	%	Number	%
2021	3	33%	6	67%
2022	3	43%	4	57%
2023	3	37.5%	5	62.5%

By Employee Category

		20)21			20)22		2023					
	Female Male			Fema	Female Male				le	Male				
	Number	%	Number	oer % Number % Number		%	Number %		Number	%				
Senior Management	7	<1%	15	<1%	7	<1%	15	<1%	6	<1%	15	<1%		
Middle Management	43	1%	44	1%	46	1%	47	1%	49	1%	50	1%		
Production	1,611	47%	1,081	32%	1,491	46%	964	30%	1,623	46%	1,097	31%		
Administrative	369	11%	99	3%	379	12%	99	3%	400	11%	89	3%		
Technical	16	<1%	132	4%	19	1%	146	5%	21	1%	144	4%		
Total	2,046	60%	1,371	40%	1,942	60%	1,271	40%	2,099	60%	1,395	40%		

SUSTAINABILITY STATEMENT

Age Diversity

By Employee Category

		2021							2022					2023					
		30	30	30-50 >5		>50 <30		30	30-50		>50		<30		30-50			50	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
Senior Management	-	<1%	15	<1%	8	<1%	-	<1%	17	1%	8	<1%	-	<1%	10	<1%	11	<1%	
Middle Management	8	<1%	60	2%	19	1%	10	<1%	57	2%	25	1%	6	<1%	54	2%	25	1%	
Production	1,296	38%	1,217	36%	181	5%	1,108	34%	1,153	36%	194	6%	1,231	35%	1,292	37%	210	6%	
Administrative	232	7%	203	6%	32	1%	237	7%	205	6%	36	1%	246	7%	205	6%	39	1%	
Technical	73	2%	68	2%	5	<1%	83	3%	73	2%	7	<1%	81	2%	76	2%	8	<1%	
Total	1,609	47%	1,563	46%	245	7%	1,438	45%	1,505	47%	270	8%	1,564	45%	1,637	47%	293	8%	

Nationality Diversity

	2021	2022	2023
Malaysian	1,197	1,181	1,470
Bangladeshi	250	228	227
Burmese	138	122	104
Nepalese	421	300	256
Indonesian	18	17	14
Thai	1,300	1,267	1,322
Vietnamese	12	12	9
American	39	41	45
British	32	36	40
Indian	10	9	7

Our efforts to break down social stigma regarding the LGBTQIA community includes encouraging our staff to display email signatures with Pride logos during the relevant month. We also continued to work with various NGOs such as Boston Pride of the People and Planned Parenthood to reduce LGBTQIA stigma in innovative ways such as hosting outreach programmes and donating over 20,000 custom co-branded ONE® condoms to various NGOs and sexual health advocates across the USA this year. We also hosted a total of six fashion shows under the Project Condom banner during the year, continuing our efforts to search for new and exciting ways with which to connect to students and teach them about safer sexual health habits irrespective of sexual preference.

We continued to build on the success of last year when the USA Food and Drug Administration ("FDA") announced that ONE® Condoms became the first and only condom brand to be approved for anal sex, not just vaginal sex. This groundbreaking success allowed us to work with a major retailer during the year to launch the ONE® Backdoor Pack™ across shelves nationwide in the USA. This launch was highlighted in the media including Yahoo News and HIV Plus Magazine. In December 2022, Popular Science Magazine listed ONE® becoming FDA-cleared for anal use on its list of "The 100 greatest innovations of 2022".

SUSTAINABILITY STATEMENT



2. HEALTH AND SAFETY

As the COVID-19 pandemic around the world transitioned into an endemic over the past year, we took care to ensure that our facilities were properly equipped and sanitised regularly in order to provide our employees with a working environment that they could feel safe in. We continued to observe the relevant health and safety protocols including the provision of sanitisation equipment and test kits, where necessary. Despite the challenges over the last few years, we are pleased to report that we did not make any COVID-19 related salary cuts or retrenchments.

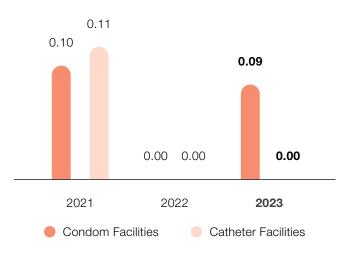
We have continued to maintain our ISO 45001 (Occupational Health & Safety Management Systems) certifications with each of our sites undergoing independent third-party audits and inspections during the year. Two of our condom manufacturing facilities in Malaysia obtained an inspection result of 'Grade A' whilst another condom and catheter facility obtained an inspection result of 'Grade B' as evaluated by the Department of Occupational Health and Safety. Our physical health and safety measures are supplemented by our Occupational Safety and Health Policy which covers a range of procedures including emergency response, first-aid, evacuation and firefighting.

Further measures to prioritise employee health and safety include maintaining a Health, Safety, Environmental and Ethical ("HSEE") Committee consisting of employee representatives as well as senior management representatives. We have taken care to ensure that a representative from each nationality and gender is nominated as representatives on the HSEE at all times. Regular HSEE meetings have been conducted to facilitate better communication regarding the health and safety issues facing staff from time to time as well as keeping abreast as to the updates and action that has been taken to address issues that our staff have raised.

In addition to addressing issues that have been brought up, we also ensure that our facilities comply with the Occupational Safety and Health Act 1994 (Act 514) and adhere to the Industry Code of Practices. This involves each department conducting a Heath Identification Risk Assessment and Risk Control Assessments to identify potential risks around our work areas in order to develop control measures to then mitigate these risks. We also work alongside independent professionals to conduct Chemical Health Risk Assessments and Noise Monitoring Assessments to provide feedback and pre-emptively identify and manage potential hazards in our workplaces.

As a result of these measures, our staff are constantly being briefed and updated about the latest measures that we have taken to safeguard their well-being. A total of 3,494 employees attended our mandatory Health and Safety Awareness training sessions during the year. In order to measure the efficacy of our efforts, we continue to track the Loss Time Incident Frequency Rate ("LTIFR") at our facilities over the last three years. LTIFR refers to the amount of time lost due to injuries occurring in the workplace per one million man-hours worked. For the FY2023, government officials from the Department of Safety and Health made four visits in total to our facilities in Thailand and Malaysia and found no instances of violations or breaches that resulted in fines of any sort. Thanks in large part to these collective efforts, we have recorded zero work-related fatalities at our facilities for the past three years.

Loss Time Incident Frequency Rate (per 1 million work-hours)



In spite of our best efforts, we understand that accidents and emergencies are inevitable. We have also established emergency response protocols to ensure that our staff are afforded immediate access to medical attention should an accident occur and that they are adequately covered by health insurance. Our facilities operate sickbays around the clock so that medical attention and first aid can be administered whilst waiting for medical services to arrive. Health and safety notices and updates are also disseminated on all noticeboards in a number of languages so that employees are always made aware as to changes in operating procedures as well as emergency protocols.

3. LABOUR PRACTICES

We believe that human rights are a fundamental entitlement of every individual and that it is imperative that we champion the fair treatment of our staff so that we can create a conducive culture that will allow them to reach their potential. In addition to ensuring strict compliance with labour laws, 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.

We have adopted a strict zero tolerance approach for all forms of modern slavery and forced labour. As such, following a comprehensive assessment performed by Impactt Limited, an independent company specialising in ethical trade, human rights and labour standards in 2019, we decided to suspend the hiring of migrant labour until we could be certain that procurement practices had taken these concerns into account at all levels. We also made a very difficult decision to take extensive remediation measures, reimbursing workers who had paid fees to obtain employment at any of our facilities. To date, we have paid over RM3 million in remediation measures to our employees as part of these efforts. We made this decision as we believe that we have a responsibility as a leader in the industry to remain committed to our values regarding human rights. We have also ensured that our hostels for foreign workers are in compliance with Act 446 (Employee's Minimum Standard of Housing, Accommodation and Amenities Act 1990).

In order to ensure that our approach towards preserving human rights encounters no lapses and that we are proactively assessing our human rights impacts on an ongoing basis, we work with accredited audit firms to conduct comprehensive four pillar SMETA audits on all of our condom manufacturing facilities covering labour standards, health and safety, business ethics and environmental performance. The day-to-day responsibilities for each business function is handled by a representative from each business unit who is also tasked with providing updates to our Chief Executive Officer, who remains in charge of overseeing matters regarding human rights. This also serves to provide suppliers and customers with comfort that we are constantly upholding our EESG commitments.

In addition to our efforts to ensure human rights are safeguarded within our internal labour practices, we have also communicated this commitment to our vendors and contractors. We have published our Human Rights Policy on our website so that external stakeholders are able to reference it at all times. Our stance on human rights is in line with the United Nations Guiding Principles on Business and Human Rights and is also communicated to suppliers explicitly in our Supplier's Code of Conduct. Care is also taken to ensure that suppliers uphold this commitment via notices in our external communications as well as during regular interviews as part of our vendor audit process.



STRATEGY & PERFORMANCE KAREX BERHAD

SUSTAINABILITY STATEMENT



3. LABOUR PRACTICES

Beyond the cultivation of a conducive working environment, we also frequently conduct training requirement analysis in order to ensure that our teams are constantly kept up to speed with the latest developments in their respective fields. We utilise a combination of electronic platforms and practical learning sessions to deliver technical training covering topics that included medical device regulations, quality assurance, health and safety, risk assessment, supply chain management and waste management. During the FY2023, we enhanced our human capital systems to track our employee metrics more effectively. The results of these analytics are presented as follows.

Training Hours

	2021	2022	2023
Total Training Hours	28,513	33,894	40,472

Average Training Hours

	2021	2022	2023
By Gender			
Male	27.4	28.1	34.1
Female	13.4	20.1	22.1
Overall	8.9	12.4	13.7
By Employee Category			
Senior Management	11.5	13.6	12.0
Middle Management	8.2	11.9	9.7
Production	13.1	14.8	17.2
Administrative	3.7	5.9	4.6
Technical	0.6	5.9	3.8

Employees by Employee Contract

	20	21	20)22	20	23
	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time
Local	2,470	122	2,344	188	2,694	196
International	825	0	681	0	604	0
Total	3,295	122	3,025	188	3,298	196

Employee Turnover

	2021	2022	2023
Total New Hires	764	1,005	1,344
Turnover Rate	43.9%	35.0%	33.6%

	2021		2022		2023	3
		Turnover		Turnover		Turnover
	No.	Rate	No.	Rate	No.	Rate
By Gender						
Male	495	15.2%	437	14.2%	424	12.6%
Female	933	28.7%	642	20.9%	701	20.9%
By Age Group						
<30	892	27.4%	713	23.2%	821	24.5%
30-50	517	15.9%	334	10.8%	269	8.0%
>50	19	0.6%	32	1.0%	35	1.0%

SUSTAINABILITY STATEMENT

Bribery and corruption have been identified as key risks that have the potential to have detrimental impacts on our business. We have taken efforts to formalise our anti-bribery and corruption policy, which can be accessed at any time on our company website. In order to ensure staff are constantly aware of their responsibilities, we conduct anti-corruption training for our employees at each of our facilities. These courses were designed referencing the Malaysian Anti-Corruption Commission Act (MACC Act) 2009, amongst other regulations by qualified trainers as a means of mitigating corruption related risks. During FY2023, the entirety our operations were assessed for corruption-related risks and a total of 67% of all our employees attended anti-corruption training.

In order to further enhance the effectiveness of these policies and the training received, employees who suspect instances of corruption and bribery are encouraged to make anonymous reports via our whistleblowing channel. Further details on the administration of our whistleblowing channel are contained in the Governance Practices section to follow. During the past three financial years, we recorded no incidences of confirmed corruption or bribery.

We employ a range of IT systems and regularly conduct cybersecurity training to ensure that we uphold stringent data protection practices. This ensures that confidentiality of data is treated extremely seriously, and that information is not misused in any way. In addition, we are constantly implementing new security protocols, disseminating alerts and notices as well as conducting training in order to ensure our employees are able to effectively identify and handle malware, phishing and other forms of potential cyber-attacks. We are proud to report that there have been zero reports or complaints of data mismanagement during the FY2023.

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 and long service awards designed to align the interests of employees to our business goals as well as to cultivate a meritocratic culture within the organisation. In addition to these initiatives, we have also sponsored further education as well as organised leadership development programmes aimed at accelerating the development of the next generation of management from within our Group. During the year, we also received shareholders' approval to establish an Employee Share Option Scheme ("ESOS") that will provide us with an additional avenue with which to incentivise staff and align their interests with the long-term goals of our Group. The ESOS will be implemented and administered by an ESOS Committee comprising of non-executive members of our Board.

As part of our continued efforts to improve our working environment, we conduct an annual employee survey to obtain feedback regarding our workplaces as well as our awareness towards human rights amongst other topics. In addition to the annual survey, 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 workplaces.

These feedback systems complement our established formal grievance mechanism to empower employees and external stakeholders alike, to confidently disclose instances of misconduct including instances where they feel that there may be a potential violation of human rights. Employees are informed that anonymous reports may be made to department managers, human resources representatives or even directly via a whistleblowing platform. External parties in the meantime are able to direct any reports of potential violations through our whistleblowing platform. They are provided assurance that our Group is committed to remedying the effects should a violation of their human rights be identified. Details of the whistleblowing platform are set out in the Governance Practices section to follow and all reports received by employees regardless of reporting channel are held in strict confidence. For the past three years, we have received no substantiated complaints concerning human rights violations.



STRATEGY & PERFORMANCE KAREX BERHAD

SUSTAINABILITY **STATEMENT**



GOVERNANCE

GOVERNANCE PRACTICES

We have an established system of corporate governance to regulate the way in which our business is operated and to ensure that decisions are made consistently and carefully consider the interests of all stakeholders. Our Board is primarily responsible for the corporate governance of our Group. They have been appointed by our shareholders and are aided by independent auditors to ensure that the decisions made by the management team are in line with our Group's long-term goals.

All employees in our Group are guided by the principles in the Code of Conduct. These formal set of policies ensure that the practices concerning ethics and integrity are communicated to all employees during the induction process, frequently reinforced during refresher courses and accessible on our company intranet and website at any point in time. The Code of Conduct also provides guidance and recommendation on handling topics such as violations of anti-bribery, human rights, data protection, procurement and ethical business practices. The Code of Conduct and its associated policies are frequently reviewed and revised in order to ensure that they remain relevant and effective.

We encourage employees as well as external parties such as suppliers, customers and other third parties to report incidences of corruption along with any other breaches of the Code of Conduct. In order to ensure that any concerns raised are handled with discretion, seriousness and care, we have established an anonymous whistleblowing channel that is also available to external parties. Notices about

To ensure that this channel is handled independently, and that anonymity is safeguarded, reports via the whistleblowing channel are made directly to the Chairman of our Board, or the Audit Committee Chairman via email to karex@whistleblowing.com.my. Alternatively, reports may be posted to the following mailbox which is handled independently by the Group's Internal Auditor:

Moore Stephens Associates PLT

Suite 339, MBE 1 Mont Kiara Mall LG-13A, Lower Ground Floor, 1 Mont Kiara Mall, No. 1, Jalan Kiara, Mont Kiara, 50480, Kuala Lumpur

Access to our whistleblowing channel has also been published on our company website. During the past three financial years, we recorded no incidences of confirmed violations via this channel.

Additional corporate governance policies are detailed in the Corporate Governance Overview Statement located on pages of 50 to 61 this Report as well more comprehensively in our Corporate Governance Report that can be accessed at https://www.karex.com.my/. These documents provide further details on the responsibilities of our Board, the composition details of our Board, our whistleblowing policy and corporate reporting details amongst others.



ANNUAL REPORT 2023 STRATEGY & PERFORMANCE

SUSTAINABILITY STATEMENT

2. RISK MANAGEMENT PRACTICES

A proper risk management framework is essential to enable our business to pre-emptively identify possible risks as well as their likelihoods and repercussions before they occur. Our business strategies and procedures are then adapted to avoid or minimise the impact of these risks should they occur. These procedures are integral in allowing our organisation to clearly define our objectives for the future and are frequently updated to ensure that they capture all of the relevant external and internal risks that may hinder accomplishment of our objectives.

The primary identification, evaluation, monitoring and management of the risks that are critical to our business at any given point in time is conducted by representatives from each of the major business units within our Group. These representatives collectively make up the Risk Management Working Committee ("RMWC"). Together with members of the Senior Management Team, the RMWC strategises the appropriate risk appetite that matches the structure, risk profile, complexity, activities and size of our Group. These findings are subsequently presented to the Risk Management Committee which is comprised of non-executive members of our Board and periodically audited by an independent internal auditor, Moore Stephen Associates PLT who in turn evaluates the compliance and the effectiveness of our control systems.

This structured approach towards risk management ensures that strategic decisions are able to be made holistically and without bias to ensure that that the interests of all stakeholders are always being considered. Further details regarding our risk management practices are contained in the Statement of Risk Management and Internal Control located on pages of 67 to 70 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 better risk management practices.

This Sustainability Statement is made in accordance with the resolution of our Board dated 9 October 2023.



PROFILE OF **BOARD OF DIRECTORS**



DATO' DR. ONG ENG LONG @ ONG SIEW CHUAN

Chairman Senior Independent Non-Executive Director

Age: 79 Gender: Male

Nationality: Malaysian

Dato' Dr. Ong Eng Long @ Ong Siew Chuan was appointed to the Board on 29 July 2013 as our Senior Independent Non-Executive Director and was a member of the Audit Committee, Remuneration Committee and Risk Management Committee and on 29 November 2021, he was appointed as the Chairman of the Nomination Committee. On 29 August 2022, Dato' Dr. Ong was re-designated as the Chairman of the Board and ceased to be a member of the Risk Management Committee, Remuneration Committee and the Nomination Committee and on 28 August 2023, he ceased to be a member of the Audit 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 the Malaysian Rubber Export Promotion Council from 2001 to 2008.

He has been the Technical Advisor for Kossan Rubber Industries Bhd since July 2008. He is also the Professor (Adjunct) of Rubber appointed by the Rubber Research Institute, Chinese Academy of Tropical Agricultural Sciences and an Industry advisory panel member of the Material Technology course of the Faculty of Industrial Sciences and Technology, Universiti Malaysia Pahang.

He has been involved with standards development for the past two decades. He was the Chairman of ISO/TC 157 Non-Systemic Contraceptives and STI Barrier Prophylactics from 2007 until December 2017 and the Chairman of ISO/TC 45 SC4 Rubber Products Other Than Hoses from 2005 until December 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. He has more than 180 publications in areas of rubber science and latex dipped products.

He 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 until March 2018.

He has attended all Board Meetings held during the financial year ended 30 June 2023. 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 2023.

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

PROFILE OF BOARD OF DIRECTORS

PROFESSOR DATO' DR. ADEEBA **BINTI KAMARULZAMAN**

Independent Non-Executive Director

Age: 59

Gender: Female

Nationality: Malaysian



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. On 29 November 2021, she was appointed as a member of the Nomination Committee. On 29 August 2022, she was appointed as a member of the Remuneration Committee and re-designated as Chairwoman of the Nomination 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 the President & Pro Vice-Chancellor of Monash University Malaysia. Prior to this appointment, she was Dean of the Faculty of Medicine, University Malaya and continues as an Honorary Professor at Universiti Malaya.

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 a 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 Commissioner of the Global Commission on Drug Policy and as a member of the UNAIDS Commission on AIDS, Pandemics and Equality.

Her achievements have been recognised through several national and international awards including the Tun Mahathir Science and Merdeka Award. 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 attended all Board Meetings held during the financial year ended 30 June 2023. 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 2023.

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

PROFILE OF BOARD OF DIRECTORS



DATO' EDWARD SIEW MUN WAI

Independent Non-Executive Director

Age: 66 Gender: Male

Nationality: Malaysian

Dato' Edward Siew Mun Wai was appointed to the Board on 27 November 2020 as our Independent Non-Executive Director and member of the Audit Committee. On 29 November 2021, he was appointed as Chairman of the Remuneration Committee and re-designated as Chairman of the Audit Committee. On 29 August 2022, he was appointed as a member of the Nomination Committee and Risk Management Committee. On 28 August 2023, he was appointed as a member of the Employee Share Option Scheme Committee, a sub-committee

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

under the Remuneration Committee.

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

Following his repatriation to Malaysia on the Talent Corp program, he was the Acting Global CEO/Global CFO of Crabtree & Evelyn London until its divestment. From 2011-2014, 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 pro-bono quest speaker at various local Universities and the Malaysian Institute of Corporate Governance.

Presently, he also sits on the board of directors of Malton Berhad and Prestar Resources Berhad as an Independent Non-Executive Director. He is a member of Malton Berhad's Audit Committee and Nomination Committee. Chairman of Prestar Resources Berhad's Audit Committee and a member of its Nomination and Remuneration Committees. In addition, he is an Executive Director of a private company operating a premium grocery brand.

He has attended all the Board Meetings held during the financial year ended 30 June 2023. 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 2023.

PROFILE OF BOARD OF DIRECTORS

CHEW FOOK AUN

Independent Non-Executive Director

Age: 61

Gender: Male

Nationality: Malaysian

Chew Fook Aun was appointed to the Board on 17 April 2023 as our Independent Non-Executive Director. On 28 August 2023, he was appointed as a member of the Audit Committee, Risk Management Committee, Remuneration Committee and Alternate Chairman of the Nomination Committee and Chairman of the Employee Share Option Scheme Committee, a sub-committee under the Remuneration Committee.

Chew Fook Aun has over 30 years of experience in accounting, auditing and finance in the United Kingdom and Hong Kong. He graduated from the London School of Economics and Political Science of the University of London with a Bachelor of Science (Economics) Degree. He is a certified public accountant, a Fellow Member of The Institute of Chartered Accountants in England and Wales (ICAEW), the Hong Kong Institute of Certified Public Accountants (HKICPA) and The Hong Kong Institute of Directors (HKIoD).

He was the Deputy Chairman and Executive Director (until 1 June 2023) of the Lai Sun Group of companies which is listed on the Hong Kong Stock Exchange. With effect from 2 June 2023, he was re-designated as the Deputy Chairman and Non-Executive Director of Lai Sun Garment (International) Ltd, Lai Sun Development Company Ltd and Lai Fung Holdings Ltd as announced to the Hong Kong Stock Exchange.

Prior to joining the Lai Sun Group, he was an executive director and the group chief financial officer of Esprit Holdings Limited, an executive director and the chief financial officer of The Link REIT. He was also the chief financial officer of Kerry Properties Limited, a director of corporate finance for Kerry Holdings Limited and an executive director of Kyard Limited in charge of the property portfolio of a private family office.

He was a council member of the Hong Kong Institute of Certified Public Accountants and its vice president in 2010. He was also a Council member of the Financial Reporting Council ("FRC"), a member of the Independent Audit Oversight Reform Committee and a member of the Investigation and Compliance Committee of the FRC. He was a member of the Advisory Committee of the Securities and Futures Commission, the Citizens Advisory Committee on Community Relations of the Independent Commission Against Corruption ("ICAC"), the Corruption Prevention Advisory Committee of the ICAC and the Operations Review Committee of the ICAC. He was also a member of the Standing Committee on Company Law Reform of the Companies Registry.

He is presently a member of the Hong Kong Judiciary Barristers Disciplinary Tribunal Panel. He is a member of the Board of Directors of the Hong Kong Sports Institute Limited (HKSI) and its current Vice Chairman. He is also a member of the Board of the Directors of The Asian Youth Orchestra and a Council Member of the Hong Kong Polytechnic University. He was appointed as a board member of the Securities & Futures Commission in Hong Kong on 1 January 2023.

He has attended one Board Meeting held during the financial year ended 30 June 2023, since his appointment on 17 April 2023. 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 2023.

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

PROFILE OF BOARD OF DIRECTORS



LAM JIUAN JIUAN

Non-Independent Non-Executive Director

Age: 71

Gender: Female

Nationality: Australian

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. On 28 August 2023, she was appointed as a member of the Employee Share Option Scheme Committee, a sub-committee under the Remuneration Committee. She has a vast 40 years of experience from the financial and corporate management industry.

She 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 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 Advisor.

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 2023. 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 2023.

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

PROFILE OF BOARD OF DIRECTORS

GOH YEN YEN

Non-Independent Non-Executive Director

Age: 80

Gender: Female

Nationality: Malaysian

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 2023. 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 2023.

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

PROFILE OF **BOARD OF DIRECTORS**



GOH LENG KIAN

Executive Director Technical and R&D

Age: 68 Gender: Male

Nationality: Malaysian

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

His 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 equipment, systems as well as the facilities of the projects.

His 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,

Research and Development 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. He graduated with a Bachelor of Science Degree with Honours in Mechanical Engineering from the Loughborough University of Technology, in 1979.

He has attended all the Board Meetings held during the financial year ended 30 June 2023. 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 2023.

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

PROFILE OF BOARD OF DIRECTORS

GOH MIAH KIAT

Executive Director Chief Executive Officer

Age: 45 Gender: Male

Nationality: Malaysian

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 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 2023. 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 2023.

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

PROFILE OF KEY SENIOR MANAGEMENT



WONG YOUR CAN

Chief Strategy Officer

Age: 46

Gender: Male

Nationality: Malaysian

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 has been featured as a guest speaker at various educational institutions around Malaysia.

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 2023.

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

PROFILE OF KEY SENIOR MANAGEMENT

GOH CHOK SIANG

Chief Financial Officer

Age: 52

Gender: Male

Nationality: Malaysian



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 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 2023.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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



The objective of this Statement is to provide an overview of the application of the corporate governance practices of the Group during the financial year ended 30 June 2023 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 latest Malaysian Code on Corporate Governance ("MCCG") issued by Securities Commission.

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 27 October 2023. Shareholders may obtain the CG Report by accessing this link https://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 2023, 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 Practices as set out in the MCCG except for Practice 8.2 on the disclosure of the top five senior management's remuneration on a named basis. The explaination for the departure of the above mentioned practice is reported in the announced CG Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT



PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

It is the overall governance responsibility of the Board of Directors ("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, strong corporate governance and ethics whilst embracing 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 which is published on the Company's website. The Board Charter serves as a reference for the Directors' fiduciary duties and the functions of the Board Committees. The Board reviews the Board Charter periodically to ensure that it remains relevant and consistent with the Board's objective, regulations and best practices. The Board is also guided by key matters reserved for the Board for its deliberation and decision to ensure that the direction and control of the Group's businesses vested in its hands are managed and attended to effectively.

Certain Board 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 duty and authority. These key individuals play a vital role in bringing the Group to greater heights of success whilst ensuring strong foundation blocks of sustainability, corporate governance, transparency and integrity form part of its fundamentals.

The Board is currently led by Dato' Dr. Ong Eng Long @ Ong Siew Chuan, a Senior Independent Non-Executive Director who provides strong leadership, instils and monitors good corporate governance practices, leadership and effectiveness of the Board.

Dato' Dr. Ong Eng Long @ Ong Siew Chuan was appointed as the Chairman of the Board on 29 August 2022 and as a result, he ceased to be a member of the Risk Management Committee ("RMC"), Remuneration Committee ("RC") and Nomination Committee ("NC") of the Company. However, he remained as a member of the Audit Committee ("AC") to comply with Paragraph 15.09 of the MMLR.

On 28 August 2023, Chew Fook Aun was appointed as a member of the AC. This allowed Dato' Dr. Ong Eng Long @ Ong Siew Chuan to resign from the AC in line with the best practice of MCCG 1.4 whereby the Chairman of the Board should not be a member of the AC, NC or RC.

The CEO, 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 https://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. All Directors also 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 Chairman and Senior Independent Non-Executive Director, acting as the point of contact for shareholders to approach for concerns and seek clarification from the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT



PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

WHISTLEBLOWING POLICY

The Company has established a Whistleblowing Policy to provide clear lines of communication and reporting of concerns for employees at all levels as well as external parties such as suppliers, customers and other third parties. The channel for communication for whistleblowing can be made to the Board Chairman or AC Chairman via email to karex@whistleblowing.com.my or post to the following mailbox which is handled independently by the Group's Internal Auditor:

Moore Stephens Associates PLT

Suite 339, MBE 1 Mont Kiara Mall, LG-13A, Lower Ground Floor, 1 Mont Kiara Mall, No. 1, Jalan Kiara, Mont Kiara, 50480, Kuala Lumpur.

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 to avoid bribery and corruption in daily operations. The policy is disseminated to all employees together with an awareness training session and is made available and accessible on the Company's website at https://www.karex.com.my/.

SUSTAINABILITY GOVERNANCE

The Board recognises the importance of incorporating sustainability and governance alongside financial goals to achieve its long-term objectives. A Sustainability Working Committee led by the CEO was established to focus on developing and implementing sustainability initiatives within the Company.

The Sustainability Working Committee reports to the RMC which oversees the formulation, implementation and effective management of the Company's sustainability strategies and targets. These strategies will be reviewed by the Board to ensure that the Company makes responsible decisions to achieve long term growth that is inclusive of all stakeholders. Further sustainability details could be found in the Sustainability Statement on pages 17 to 39 of this Annual Report.

COMPANY SECRETARY

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

Further information of the roles and responsibilities carried out by the Company Secretaries are set out in Practice 1.5 of the Company's CG Report.

BOARD COMMITMENT

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board papers are circulated to the Board members prior to the Board meetings to provide the Directors with relevant and timely information 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 Directors' attendance at Board and Board Committee meetings held during the financial year are provided below:

	Meeting Attendance							
Director	Board of Directors	Audit Committee	Nomination Committee	Remuneration Committee	Risk Management Committee			
Dato' Dr. Ong Eng Long @ Ong Siew Chuan Chairman Senior Independent Non-Executive Director	5/5	5/5	1/1	1/1	1/1			
Professor Dato' Dr. Adeeba binti Kamarulzaman Independent Non-Executive Director	5/5	4/5	1/1	-	1/2			
Dato' Edward Siew Mun Wai Independent Non-Executive Director	5/5	5/5	-	1/1	1/1			
Chew Fook Aun Independent Non-Executive Director (Appointed on 17 April 2023)	1/1	-	-	-	-			
Lam Jiuan Jiuan Non-Independent Non-Executive Director	5/5	-	1/1	-	2/2			
Goh Yen Yen Non-Independent Non-Executive Director	5/5	-	-	1/1	-			
Goh Leng Kian Executive Director	5/5	-	-	-	-			
Goh Miah Kiat Executive Director Chief Executive Officer	5/5	-	_	-	1/1			

CORPORATE GOVERNANCE OVERVIEW STATEMENT



PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

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

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

Director	Trainings Attended
Dato' Dr. Ong Eng Long @ Ong Siew Chuan Chairman Senior Independent Non-Executive Director (Appointed as Chairman on 29 August 2022)	 1st Association of Materials Practitioners Conference International Rubber Research and Development Board International Rubber Conference 2023
Professor Dato' Dr. Adeeba binti Kamarulzaman Independent Non-Executive Director	 Introduction to Cyber Security Data Protection and Privacy Equal Opportunity Occupational Health and Safety Anti-Fraud and Corruption Ethics and Professional Conduct Respect at Monash Cultural Foundations Modern Slavery
Dato' Edward Siew Mun Wai Independent Non-Executive Director	 Advocacy Sessions for Directors and Senior Management of Main Market Listed Issuers (Bursa Malaysia) Corporate Governance and Remuneration Practices for the ESG World ESG Awareness (Bursa Malaysia) ESG Climate Changes and Sustainability Reporting and Disclosures for Main Market Listing (Tricor Axcelasia) ICAEW Certificate in Sustainability Mandatory Accreditation Programme Part II: Leading for Impact
Chew Fook Aun Independent Non-Executive Director (Appointed on 17 April 2023)	Mandatory Accreditation Programme Part I
Lam Jiuan Jiuan Non-Independent Non-Executive Director	 BNP Webcast on Market Updates PLC Transformation Programme Virtual Webinar – Walkthrough of Guidebook 3 on Strengthening Stakeholder Management and Investor Relations (Bursa Malaysia) Australian CPA Virtual Congress 2022 Global Financial Leaders Investment Submit – Conversations with Global Investors (HK Academy of Finance Webinar) The Emerging Role of Web 3.0 in ESG and Sustainability (Australian CPA Webinar) 5 Things You can Do Now to Make the Most of 2023 (CPA Webinar)
Goh Yen Yen Non-Independent Non-Executive Director	Webinar on Cyber Security for Finance and Accounting Professional
Goh Leng Kian Executive Director	Webinar on Cyber Security for Finance and Accounting Professional
Goh Miah Kiat Executive Director Chief Executive Officer	Corporate Governance and Remuneration Practices for the ESG World

CORPORATE GOVERNANCE OVERVIEW STATEMENT

II. BOARD COMPOSITION

The Board has eight (8) members comprising one (1) Senior Independent Non-Executive Director who is also the Chairman, three (3) Independent Non-Executive Directors, two (2) Non-Independent Non-Executive Directors and two (2) Executive Directors, constituting more than one-third (1/3) of Independent Directors and one third (1/3) of female directors.

The Board Chairman, being independent and non-executive chairs effective meetings and discussions, promotes active participation and critical discussions among the Board members and senior management.

Pursuant to the constitution of the Company, an election of Directors shall take place each year at the Annual General Meeting ("AGM") of the Company, where one-third (1/3) of the Directors for the time being, or nearest to one-third (1/3) shall retire from office and be eligible for re-election.

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

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

- (i) Subject to the Board's justification and shareholders' approval, the 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 through a two-tier voting process.

All the independent directors have served the Board for less than nine (9) years as at 30 June 2023 except for the Senior Independent Non-Executive Director, Dato' Dr. Ong Eng Long @ Ong Siew Chuan who has reached a cumulative term of more than nine (9) years of service on the Board. In the 10th AGM, Dato' Dr. Ong Eng Long @ Ong Siew Chuan has been given approval from the shareholders to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next AGM of the Company. Shareholders' approval for his continuance in office as Independent Non-Executive Director would be sought at the 11th AGM through a two-tier voting process.

The Board is satisfied with the level of independence demonstrated by the Independent Directors, their performance and contributions, as well as the 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 for 37.5% 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 range of perspectives coming from different walks of lives and various experiences at the Senior Management level of the Group is also highly cultivated. Accordingly, the Board does not discriminate any board member and board candidate on the grounds of race, gender, nationality, religion, sexual orientation and family status.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT



PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

II. BOARD COMPOSITION

NOMINATION COMMITTEE ("NC")

The NC is established and maintained to ensure that there are formal and transparent procedures for the evaluation and 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/Chairwoman	Members
Dato' Dr. Ong Eng Long @ Ong Siew Chuan Senior Independent Non-Executive Director (Resigned as Chairman on 29 August 2022)	Lam Jiuan Non-Independent Non-Executive Director Dato' Edward Siew Mun Wai Independent Non-Executive Director
	(Appointed on 29 August 2022) Member and Alternate Chairman
Professor Dato' Dr. Adeeba binti Kamarulzaman Independent Non-Executive Director (Appointed as Chairwoman on 29 August 2022)	Chew Fook Aun Independent Non-Executive Director (Appointed on 28 August 2023)

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

The Company adopted the Directors' Fit and Proper Policy on 29 June 2022 to guide the NC and the Board in reviewing and assessing potential candidates for appointment and re-election as Directors of the Company and its subsidiaries.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 relevant 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 reviews the tenure and performance of each retiring director, where the re-election of a director would be contingent on satisfactory evaluation of the director's performance and contribution to the Board.

The NC has considered the assessments of Dato' Dr. Ong Eng Long @ Ong Siew Chuan, Dato' Edward Siew Mun Wai, Goh Miah Kiat and Chew Fook Aun, the Directors standing for re-election at the forthcoming AGM and collectively agreed that they meet the criteria of character, experience, competence and time to effectively discharge their respective roles as Director.

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 one (1) meeting 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 recommended to the Board on the composition of the Executive and Non-Executive Directors on the Board and Board Committees of Karex Berhad;
- Reviewed and recommended to the Board the appointment of a new Director;
- Reviewed and assessed the independence of Independent Directors;
- Reviewed and recommended to the Board, the re-election of the Directors who will be retiring at the forthcoming AGM;
- Reviewed and assessed the terms of office and performance of the AC and each of its members; and
- Reviewed and assessed the performance of the Senior Management.

Based on the NC's assessment, the Board concluded that the current size and composition of the Board is balanced and optimal for the time being. 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT



PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

III. REMUNERATION

REMUNERATION COMMITTEE ("RC")

The RC is responsible for reviewing and recommending to the Board the remuneration policy and remuneration packages of Directors. They also consider the recommendation of the CEO regarding the remuneration of his Senior Management team. Composition of the RC are as follows:

Chairman

Dato' Edward Siew Mun Wai

Independent Non-Executive Director

Members

Goh Yen Yen

Non-Independent Non-Executive Director

Dato' Dr. Ong Eng Long @ Ong Siew Chuan

Senior Independent Non-Executive Director (Resigned on 29 August 2022)

Professor Dato' Dr. Adeeba binti Kamarulzaman

Independent Non-Executive Director (Appointed on 29 August 2022)

Chew Fook Aun

Independent Non-Executive Director (Appointed on 28 August 2023)

On 28 August 2023, a new sub-committee under the RC called the Employees' Share Option Scheme ("ESOS") Committee was set up comprising Chew Fook Aun as the Chairman and Dato' Edward Siew Mun Wai and Lam Jiuan Jiuan as its members to assist the Board to implement and administer the ESOS in accordance with the provisions of the By-Laws.

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

The RC annually reviews the remuneration packages of the 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 reviews the Senior Management's remuneration based on the recommendations of the CEO who has in turn appraised each Senior Management on their Key Performance Indicators and deliverable business results, experience, expertise, skills and industry benchmarks. This remuneration is maintained at a level which enables the Company to attract, develop and retain high performing individual with the relevant experience and expertise.

The remuneration packages for the Executive Director and Senior Management comprises fixed basic salary, benefits in kind and allowances as well as variable component comprising the annual discretionary performance bonus. The Non-Executive Director's remuneration package comprises Directors' fees and meeting allowances which reflect individual's roles and responsibilities.

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

Subject to the shareholders' approval at the forthcoming AGM, the proposed Non-Executive Directors' fee for the financial year ended 30 June 2023 is RM490,000 whilst their benefits, comprising of meeting allowances are proposed to be capped at RM61,000 for the period from 1 December 2023 to 30 November 2024.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

DIRECTORS' REMUNERATION

The breakdown of the Directors' remuneration for the year ended 30 June 2023 are as follows:

			Group				Company	
	Fees ¹	Salaries, Bonuses & Allowances ²	Benefits ³	EPF	Total	Fees ¹	Allowances ²	Total
Director	RM	RM	RM	RM	RM	RM	RM	RM
Dato' Dr. Ong Eng Long @ Ong Siew Chuan	120,000	7,500	-	-	127,500	120,000	7,500	127,500
Professor Dato' Dr. Adeeba binti Kamarulzaman	90,000	7,000	-	-	97,000	90,000	7,000	97,000
Dato' Edward Siew Mun Wai	90,000	7,000	_	-	97,000	90,000	7,000	97,000
Chew Fook Aun ⁴	20,000	1,000	-	-	21,000	20,000	1,000	21,000
Lam Jiuan Jiuan	90,000	5,000	-	-	95,000	90,000	5,000	95,000
Goh Yen Yen	80,000	2,500	-	-	82,500	80,000	2,500	82,500
Goh Leng Kian	-	600,400	21,750	113,411	735,561	-	3,500	3,500
Goh Miah Kiat	-	1,507,934	15,500	272,707	1,796,141	-	4,000	4,000
	490,000	2,138,334	37,250	386,118	3,051,702	490,000	37,500	527,500

¹ Fees paid to Non-Executive Directors

SENIOR MANAGEMENT'S REMUNERATION

The Board deliberated and concluded that the disclosure of Senior Management's remuneration including the key management personnel in the Audited Financial Statements was adequate. This approach was arrived at having taken into consideration the sensitivity of Senior Management's remuneration packages and the potential privacy, security and potential 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 and market benchmarking.

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

Benefits in terms of car-related benefits

⁴ Appointed on 17 April 2023

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B:

EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE ("AC")

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

The responsibilities, composition and summary of work for the AC are outlined in the AC Report on pages 63 to 65 of this Annual Report.

The AC complies with the recommendation of MCCG requiring all members to be independent and at least one member fulfils the 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 three (3) 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 audit 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 Board and subsequently to the shareholders for re-appointment during the AGM.

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

II. RISK MANAGEMENT AND INTERNAL CONTROL

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

The Board has an established on-going process for identifying, evaluating and managing significant risks which may affect the Company's business objectives. The Board through its RMC reviews this process 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

Members

Professor Dato' Dr. Adeeba binti Kamarulzaman

Dato' Dr. Ong Eng Long @ Ong Siew Chuan

(Resigned on 29 August 2022)

Goh Miah Kiat

(Resigned on 29 August 2022)

Goh Chok Siang

(Resigned on 29 August 2022)

Dato' Edward Siew Mun Wai

(Appointed on 29 August 2022)

Chew Fook Aun

(Appointed on 28 August 2023)

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 67 to 70 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 the 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 compromised.

CORPORATE GOVERNANCE OVERVIEW STATEMENT



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

I. COMMUNICATION WITH STAKEHOLDERS

Corporate disclosure and information are of the 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 announcements and press releases. In addition to the various announcements made, further information regarding the Company is available on the Company's website at https://www.karex.com.my/.

Promoting sustainability is part of the corporate responsibility of the Group. The Board has reported the sustainability initiatives undertaken by the Group on pages 17 to 39 of this Annual Report.

II. CONDUCT OF GENERAL MEETINGS

It has always been the Company's practice to maintain a 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 also holds regular analyst briefings and investor relations meetings as part of the Company's investor relations initiatives.

The CEO presents the Company's performance and major activities carried out during the financial year under review in each AGM to provide meaningful information and encourage shareholder participation. During the AGM, shareholders have the opportunity to enquire and comment on the Company's performance, Company's direction and development and operations. Similar information is also shared in the press conferences or press releases, if held during the year.

Given the significance of the AGM, 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.

All the resolutions set out in the Notice of the 10th AGM were 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 Chairman plays a vital role in fostering constructive dialogue between the Board and the shareholders. All Directors including the Chair of all the respective Board Committees attended the last AGM, where the CEO provided shareholders with a brief review on the Group's financial performance and operations. The Board and the CEO also responded to questions posed by the shareholders. The minutes of the AGM were published on the Company's website within 30 business days from each AGM.

The last AGM on 28 November 2022 was held virtually via an online meeting platform.

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

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board dated 9 October 2023.

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 2023, 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 2023, 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		Com	pany
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Fees paid to external auditors and its affiliates				
Audit fees	424	393	91	85
Non-audit fees	5	5	5	5

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 2023.

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 2023 are as follows:

	Name of Directors	Attendance
Chairman	Dato' Edward Siew Mun Wai Independent Non-Executive Director	5/5
	Professor Dato' Dr. Adeeba binti Kamarulzaman Independent Non-Executive Director	4/5
Members	Dato' Dr. Ong Eng Long @ Ong Siew Chuan Senior Independent Non-Executive Director (Resigned on 28 August 2023)	5/5
	Chew Fook Aun Independent Non-Executive Director (Appointed on 28 August 2023)	-

The AC Chairman, Dato' Edward Siew Mun Wai, 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. 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 the 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 40 to 47 of this Annual Report.

TERMS OF REFERENCE ("TOR")

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

AUDIT COMMITTEE REPORT

SUMMARY OF WORK

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

Ensuring Financial Statements Comply with Applicable Financial Reporting Standards:

- (a) Reviewed the financial positions, unaudited quarterly interim financial reports and announcements for the respective financial quarters prior to submission to the Board for consideration and approval. The review is to ensure that the Group's unaudited quarterly financial reporting and disclosures present a true and fair view of the Group's financial position and performance and are in compliance with the approved Malaysian Financial Reporting Standard and disclosure provision of the MMLR; and
- (b) Reviewed the audited financial statements for the financial year ended 30 June 2023 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 Overview 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 reports 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 is focused 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.

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 inventory management and health, safety and environment functions of one (1) subsidiary;
- (ii) Assessed the effectiveness and control procedures of the production operations, inventory management, health, safety and environment functions of an oversea manufacturing facility;
- (iii) Assessed the effectiveness of information technology functions of the Group and its subsidiaries;
- (iv) Assessed the effectiveness of regulatory affairs of the Group and its subsidiaries; and
- (v) Conducted follow-up reviews quarterly with Management to ensure implementation of the agreed audit recommendations.

The fee for internal audit function of the Group for the financial year ended 30 June 2023 was RM95,000.

This report is made in accordance with the resolution of the Board dated 9 October 2023.

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 2023, 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 2023. 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 Guidelines") 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 best practices prescribed by the Malaysian Code of Corporate Governance.

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

RISK MANAGEMENT AND INTERNAL CONTROLS

As part of Karex's endeavour to continuously uphold high sustainability standards of corporate governance practices, the Board has established a Risk Management Committee ("RMC"), specifically to perform risk assessment, particularly to identifying and analysing 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 the RMC:

Chairwoman	Members	
	Professor Dato' Dr. Adeeba	Goh Chok Siang
	binti Kamarulzaman	Chief Financial Officer
	Independent	(Resigned on 29 August 2022)
	Non-Executive Director	
	Dato' Dr. Ong Eng Long	Dato' Edward Siew Mun Wai
Lam Jiuan Jiuan	@ Ong Siew Chuan	Independent
Non-Independent	Senior Independent	Non-Executive Director
Non-Executive Director	Non-Executive Director	(Appointed on 29 August 2022)
	(Resigned on 29 August 2022)	
	Goh Miah Kiat	Chew Fook Aun
	Executive Director	Independent
	Chief Executive Officer	Non-Executive Director
	(Resigned on 29 August 2022)	(Appointed on 28 August 2023)

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 an appropriate risk appetite that matches 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 as part of its continuous efforts to further strengthen the Group's existing risk management framework. Major risks identified, together with the RMWC's proposed action plans are then presented to the Board.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

Key Risk Focus	Key Mitigation Plan
Information Technology ("IT") Risk	 Apart from designated authorised users, staff have limited access to websites and are restricted from downloading software onto their workstations without prior approval from the IT Department. Only authorised personnel are able to access servers and information shared whilst conducting virtual meetings. Alerts and reminders were sent out to employees to raise awareness regarding phishing emails and other relevant internet threats. The latest information regarding IT developments and security is sent out to employees and staff are encouraged to provide feedback or alerts when potential IT risks arise.
Labour Risks and Foreign Workers Risks	 The Group continues to undertake various social compliance audits that are conducted by independent parties in order to ensure that labour standards are continuously upheld to the highest of international standards. The Group maintains a direct channel of communication for employees and other external stakeholders via a whistleblowing policy should they feel the need to express concerns regarding their working conditions or report potential human rights violations and workplace ethical compliances. In addition to the Occupational Safety and Health Administration certification, our manufacturing facilities undertook a comprehensive Sedex Members Ethical Trade Audit ("SMETA") social audit to ensure the business adheres with the four key pillars of SMETA consisting of Labor Standards, Health and Safety, Environment and Business Ethics. Continued to explore efficiency improvements and implement greater degrees of automation to reduce dependency on labour within manufacturing processes. There has been a consistent reduction in migrant employee headcount reducing the potential avenues for social compliance breaches to occur. The manpower requirement has instead been filled by part-time employees until automation efforts are able to make further reductions to labour dependency.
Supply Chain Risk	 The Group is constantly in communication with multiple logistics providers to source for competitive rates, consistent and better-quality materials and reduce the supply chain delays. The Group has explored several initiatives to optimise container utilisation via packaging and logistics solutions in order to reduce costs relating to shipments to subsidiaries in the USA and UK. To make a concerted effort to shift shipping terms from Cost, Insurance and Freight (CIF) to Free on Board (FOB) with customers, wherever possible. To secure buffer stocks of raw materials in order to prevent delivery delays and reduce price volatility that may disrupt production.
Succession Planning	 The Group's succession planning is being monitored while performance and development evaluations are also conducted annually by management across the various facilities. Additional training and recruitment programs are being carried out for staff development and retention.
Monitoring the Movement of Foreign Exchange Rates	 Foreign currency exposure is mitigated through the utilisation of derivatives such as Forward Exchange Contracts in line with the Group's approved hedging policy. The movement of key foreign exchange rates are constantly being monitored by the Group.

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 appropriate systems and process controls to alleviate the potential risks.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 procedures that ensure consistency in production processes. Internal quality audits and independent surveillance audits are also conducted by external independent bodies to ensure compliance of the Group with regulatory requirements as they change and evolve. In addition, the Group continues to be certified and licensed by regulators and governing bodies 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 where possible to minimise financial exposure and losses. These risks include risks relating to 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 their 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 and the Group's compliance of them.

BOARD REVIEW MECHANISM

The Audit Committee ("AC") is entrusted by the Board with the responsibility of safeguarding the internal control systems 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 operational management, to assess the adequacy and effectiveness of controls regarding a selection of key functions on a quarterly basis. The Group's External Auditors also provided the AC with their professional findings and highlighted 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 Annual Report. While the Group takes pride in its existing comprehensive internal control framework, the Management Team continuously strives to further strengthen and enhance internal controls with input from both internal and external parties.

In addition, management supplements the AC's 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. Utilising this facility, employees and stakeholders who know of or suspect any forms of violation are encouraged to report the incident.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

MANAGEMENT RESPONSIBILITIES AND ASSURANCE

In accordance to the Guidelines, 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 were no significant instances 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 shareholders' investment, the interests of customers, regulators, suppliers, bankers 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 developments, 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 for the year ended 30 June 2023, 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, 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



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DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2023.

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
Profit for the year attributable to:		
Owners of the Company	10,478	4,899

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in Note 12 to the financial statements.

DIVIDENDS

Since the end of the previous financial year, the Company declared a single tier interim dividend of 0.5 sen per ordinary share totalling RM5,267,000 in respect of the financial year ended 30 June 2023 on 28 August 2023 and payable on 6 November 2023.

The Directors do not recommend the payment of any final dividend in respect of the current financial year.

DIRECTORS

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

Dato' Dr. Ong Eng Long @ Ong Siew Chuan Professor Dato' Dr. Adeeba binti Kamarulzaman Dato' Edward Siew Mun Wai Chew Fook Aun (appointed on 17 April 2023) Lam Jiuan Jiuan Goh Yen Yen Goh Leng Kian** Goh Miah Kiat**

** These Directors are also Directors of the Company's subsidiaries.



DIRECTORS (CONTINUED)

The names of the Directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those Directors listed above) are:

Boong Siew Choon Goh Chok Siang

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:

			Number	of ordina	ry shares	
Name of Directors	Interest	At 1 July 2022	Bought	Sold	Transfer	At 30 June 2023
Company						
Directors of the Company						
Dato' Dr. Ong Eng Long						
@ Ong Siew Chuan	Direct	860,000	-	-	-	860,000
Lam Jiuan Jiuan	Direct	19,087,456	-	-	-	19,087,456
	Deemed (1)	64,312,456	-	-	(15,000,000)	49,312,456
	Deemed (2)	198,089,600	-	-	15,000,000	213,089,600
Goh Yen Yen	Direct	22,062,456	-	-	(10,000,000)	12,062,456
	Deemed (3)	100,466,000	994,000	-	20,000,000	121,460,000
Goh Leng Kian	Direct	41,468,865	-	-	-	41,468,865
	Deemed (4)	184,250,000	-	-	-	184,250,000
	Deemed (1)	573,750	-	-	-	573,750
Goh Miah Kiat	Direct	48,650,097	405,000	-	-	49,055,097
	Deemed (4)	184,250,000	-	-	-	184,250,000

- 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.
- 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.
- Deemed interested by virtue of her equity interest in Maryen Holdings Limited pursuant to Section 8 of the Companies Act 2016.
- 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, Lam Jiuan, Goh Yen Yen, Goh Leng Kian and 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 as at 30 June 2023 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 2023

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 shown below) 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.

The Directors' benefits paid to or receivable by Directors in respect of the financial year ended 30 June 2023 are as follows:

	From the Company RM'000	From subsidiary companies RM'000
Directors of the Company:		
Fees	490	-
Remuneration	38	2,101
Contributions to the state plan	_	386
Estimated money value of any other benefits	-	37
Transactions with companies in which certain Directors who have substantial financial interests and certain companies in the Group in the ordinary course of business		
- Sales of goods	-	72
	528	2,596

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

ISSUE OF SHARES AND DEBENTURES

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

There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year. No options were granted pursuant to the Employees' Share Option Scheme ("ESOS").

At an Extraordinary General Meeting held on 8 June 2023, the Company's shareholders approved the establishment of the ESOS of not more than 10% of the issued and paid-up ordinary share capital of the Company to eligible Directors and employees of the Group.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2023

OPTIONS GRANTED OVER UNISSUED SHARES (CONTINUED)

The salient features of the ESOS are as follows:

- a) The ESOS is administered by a ESOS Committee consisting of Directors and/or other persons as shall be appointed and duly authorised by the Board, to implement and administer the ESOS in accordance with the provisions of the By-Laws.
- b) The aggregate number of options to be issued under the ESOS shall not exceed 10% of the issued and paid-up ordinary share capital of the Company at any point of time during the duration of the ESOS.
- c) The allocation to any individual eligible person shall be determined at the sole and absolute discretion of the ESOS Committee and shall be subject to the following: the allocation to any individual eligible person, who either individually or collectively, through persons connected with him/her, holds 20% or more of the total number of issued shares, must not exceed 10% of the total number of new shares to be issued under the ESOS; the directors and senior management of the Company do not participate in the deliberation or discussion of their own allocation of ESOS Options as well as allocation to persons connected with them, if any; not more than 70% of the total number of new shares to be issued under the ESOS shall be allocated, in aggregate, to the directors and senior management of the Company.
- d) The eligible person must be at least 18 years of age, is neither an undischarged bankrupt nor subject to any bankruptcy proceedings, must be employed on a full-time basis and is on the payroll of the Company and has been confirmed, and has not served a notice of resignation or received a notice of termination prior to the ESOS offer date, or employed under a contract for a fixed duration of not less than 1 year in the Company.
- e) The exercise price of the ESOS Options which each eligible person is entitled to subscribe for the new Karex Shares, to be determined by the Board upon recommendation of the ESOS Committee, shall be fixed based on the 5-day volume weighted average price of Karex Shares immediately preceding the date of offer, with either a premium or a discount of not more than 10% or such other percentage of discount as may be permitted by Bursa Securities from time to time.
- f) An offer to take up the ESOS Options made by the ESOS Committee shall be in writing and such offer is personal to the eligible person to whom the offer is made, and is non-assignable, non-transferable, non-chargeable and non-disposable in any manner whatsoever.
- g) The ESOS shall be in force for a period of 5 years commencing from the implementation date. On or before the expiry of the above initial 5-year period, the ESOS may be extended by the Board at its absolute discretion upon recommendation of the ESOS Committee, without having to obtain approval from the Company's shareholders, for an additional period of up to 5 years, but will not in aggregate exceed 10 years from the implementation date.

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 RM39,000 for a total sum insured of RM10 million.

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

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

QUALIFICATION OF SUBSIDIARIES' FINANCIAL STATEMENTS

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

OTHER STATUTORY INFORMATION

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

- i) all known bad debts have been written off and adequate provision has been made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 June 2023 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 2023

AUDITORS

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

The details of remuneration paid by the Group and the Company to auditors of the Group and the Company during the financial year are as follows:

	Group RM'000	Company RM'000
Auditors' remuneration		
Statutory audit		
KPMG PLT	312	91
Overseas affiliate of KPMG PLT	112	-
Other auditors	472	-
Non-audit fees		
KPMG PLT	5	5
	901	96

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: 9 October 2023

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2023

		Gro	oup	Com	Company	
		2023	2022	2023	2022	
	Note	RM'000	RM'000	RM'000	RM'000	
Assets						
Property, plant and equipment	3	270,988	267,299	-	-	
Right-of-use assets	4	27,411	27,017	-	-	
Investments in subsidiaries	5	-	-	321,836	321,836	
Intangible assets	6	98,791	97,166	-	-	
Deferred tax assets	7	4,208	2,876	-	-	
Total non-current assets		401,398	394,358	321,836	321,836	
Inventories	8	157,748	152,359			
Trade and other receivables	9	128,093	118,217	83,944	78,470	
Contract assets	10	120,093	542	03,944	70,470	
Current tax assets	10	2,701	3,266	22	35	
Deposits, bank and cash balances	11	31,785	21,871	2,332	2,896	
Total current assets	11	320,327	296,255	86,298	81,401	
Total ourient assets		020,021	200,200	00,200	01,401	
Total assets		721,725	690,613	408,134	403,237	
Equity						
Share capital	12	324,244	324,244	324,244	324,244	
Reserves	12	152,323	133,538	83,765	78,866	
Total equity		476,567	457,782	408,009	403,110	
Liabilities						
Loans and borrowings	13	53,344	52,930	-	-	
Lease liabilities		16,754	16,119	-	-	
Deferred tax liabilities	7	3,250	2,814	-	-	
Total non-current liabilities		73,348	71,863	-	-	
Loans and borrowings	13	82,420	50,922	-	-	
Lease liabilities		4,065	3,597	-	-	
Trade and other payables	14	71,699	94,645	125	127	
Contract liabilities	10	8,953	9,249	-	-	
Derivative financial liabilities	15	796	1,266	-	-	
Current tax liabilities		3,877	1,289	-	-	
Total current liabilities		171,810	160,968	125	127	
Total liabilities		245,158	232,831	125	127	
Total equity and liabilities		721,725	690,613	408,134	403,237	

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2023

		Gro	up	Company		
		2023	2022	2023	2022	
	Note	RM'000	RM'000	RM'000	RM'000	
Revenue	16	532,066	421,642	-	500	
Cost of sales		(396,214)	(329,062)	-	_	
Gross profit		135,852	92,580	-	500	
Other income		6,210	4,182	2,827	1,795	
Distribution expenses		(53,942)	(45,307)	-	-	
Administrative expenses		(64,328)	(50,807)	(1,686)	(1,485)	
Other expenses		(1,367)	(3,511)	-	-	
Results from operating activities		22,425	(2,863)	1,141	810	
Finance income		134	309	4,061	3,019	
Finance costs	17	(7,428)	(3,934)	-	(7)	
Net finance (costs)/income		(7,294)	(3,625)	4,061	3,012	
Profit/(Loss) before tax		15,131	(6,488)	5,202	3,822	
Tax (expense)/credit	18	(4,653)	297	(303)	(220)	
Profit/(Loss) for the year attributable t	to					
owners of the Company	19	10,478	(6,191)	4,899	3,602	
Basic and diluted earnings/(loss) per						
ordinary share (sen)	20	0.99	(0.59)			

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Gre	oup	Company		
	2023	2022	2023	2022	
	RM'000	RM'000	RM'000	RM'000	
Profit/(Loss) for the year	10,478	(6,191)	4,899	3,602	
Other community in come (form ones) and of the					
Other comprehensive income/(expense), net of tax					
Items that are or may be reclassified subsequently					
to profit or loss					
Foreign currency translation differences for					
foreign operations	8,307	(1,783)	-	-	
Total comprehensive income/(expense)					
for the year attributable to owners					
of the Company	18,785	(7,974)	4,899	3,602	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

	◀	← Attributable to owners of the Company → → → → → → → → →						
	←	- Non-dis	tributable ——		Distributable			
	Share capital RM'000	Merger reserve RM'000	Translation reserve RM'000	Other reserve RM'000	Retained earnings RM'000	Total equity RM'000		
Group								
At 1 July 2021	324,244	63,511	10,370	718	66,913	465,756		
Foreign currency translation differences for foreign operations/								
Total other comprehensive								
expense for the year	-	-	(1,783)	-	-	(1,783)		
Loss for the year	-	-	-	-	(6,191)	(6,191)		
Total comprehensive expense								
for the year	-	-	(1,783)	-	(6,191)	(7,974)		
At 30 June 2022/1 July 2022	324,244	63,511	8,587	718	60,722	457,782		
Foreign currency translation differences for foreign operations/								
Total other comprehensive								
income for the year	-	-	8,307	-	-	8,307		
Profit for the year	-	-	-	-	10,478	10,478		
Total comprehensive income for								
the year	_	-	8,307	-	10,478	18,785		
At 30 June 2023	324,244	63,511	16,894	718	71,200	476,567		

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	← Attributable to owners of the Company — — — — — — — — — — — — — — — — — — —			
	✓ Non-distrib	utable>	Distributable	
	Share capital RM'000	Merger reserve RM'000	Retained earnings RM'000	Total equity RM'000
Company				
At 1 July 2021	324,244	63,511	11,753	399,508
Profit and total comprehensive income for the year	-	-	3,602	3,602
At 30 June 2022/1 July 2022	324,244	63,511	15,355	403,110
Profit and total comprehensive income for the year	-	-	4,899	4,899
At 30 June 2023	324,244	63,511	20,254	408,009

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

		Gro	oup	Comp	oany
		2023	2022	2023	2022
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
Profit/(Loss) before tax		15,131	(6,488)	5,202	3,822
Adjustments for:					
Bad debt written off		599	396	-	-
Depreciation and amortisation:					
- Property, plant and equipment		21,755	19,426	-	-
- Right-of-use assets		4,795	3,739	-	_
- Intangible assets		252	264	-	-
Fair value loss on derivative instruments		796	1,266	_	_
Finance costs	17	7,428	3,934	_	7
Impairment loss on:		,	-,		
- Intangible assets		_	358	_	_
- Trade receivables		142	86	_	_
Inventories:					
- Allowance for slow-moving		3,355	1,007	-	-
- Written down to net realisable value		912	635	-	-
- Written off		985	331	-	-
Loss on remeasurement of lease liabilities		-	127	-	-
Written off for property, plant and					
equipment		246	175	-	-
Loss/(Gain) on derecognition of					
right-of-use assets		4	(1)	-	-
Dividend income		-	-	-	(500)
Finance income		(134)	(309)	(4,061)	(3,019)
(Gain)/Loss on disposal of property,					
plant and equipment		(28)	74	-	
Operating profit before					
changes in working capital		56,238	25,020	1,141	310
Change in inventories		(10,641)	(23,100)	-	-
Change in trade and other receivables		(10,617)	(14,081)	(5,474)	(23,252)
Change in contract assets		542	(542)	-	-
Change in trade and other payables		(25,862)	17,962	(2)	(2)
Change in contract liabilities		(296)	(3,431)	-	_
Cash generated from/(used in)					,
operations		9,364	1,828	(4,335)	(22,944)
Tax paid		(2,396)	(1,274)	(290)	(337)
Net cash from/(used in) operating				(4.00=)	(22, 22, 1)
activities		6,968	554	(4,625)	(23,281)

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

		Gro	oup	Com	pany
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash flows from investing activities					
Acquisition of:					
- Property, plant and equipment	21	(18,150)	(35,508)	-	-
- Intangible assets	6	(514)	(75)	-	-
Proceeds from disposal of					
property, plant and equipment		658	499	-	-
Dividend received		-	-	-	500
Interest received		134	309	4,061	3,019
Net cash (used in)/from investing					
activities		(17,872)	(34,775)	4,061	3,519
Cash flows from financing activities					
Interest paid		(7,428)	(3,934)	-	(7)
Change in pledged deposits		1,396	(70)	-	-
Repayments of:					
- bankers' acceptances		_	(6,348)	_	_
- export financing		_	(4,909)	_	_
- hire purchase liabilities		(247)	(231)	_	_
- lease liabilities		(3,735)	(3,648)	_	_
- revolving credits		_	(2,500)	_	(1,000)
- term loans		(8,544)	(7,776)	-	-
Drawdown of:					
- bankers' acceptances		4,623	_	_	_
- export financing		9,888	_	_	_
- revolving credit		10,000	_	_	_
- term loans		11,651	31,165	_	_
Net cash from/(used in) financing					
activities		17,604	1,749	-	(1,007)
Effect of exchange rate fluctuations					
on cash held		518	144	_	_
Net increase/(decrease) in cash and					
cash equivalents		7,218	(32,328)	(564)	(20,769)
Cash and cash equivalents at 1 July		20,410	52,738	2,896	23,665
Cash and cash equivalents at 30 June	e 11	27,628	20,410	2,332	2,896

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

CASH OUTFLOWS FOR LEASES AS A LESSEE

		Gro	oup
		2023	2022
	Note	RM'000	RM'000
Included in net cash from operating activities			
Payment relating to short-term leases	19	3,139	2,168
Payment relating to leases of low-value assets	19	14	14
Included in net cash from financing activities			
Payment of lease liabilities		3,735	3,648
Interest paid in relation to lease liabilities	17	637	790
Total cash outflows for leases		7,525	6,620

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	ā	Net changes	Net changes Remeasure- from ment		Acquisition	Foreign	At 30 June	Net changes		Acquisition	T c c c	۸+
	1 July 2021 c RM'000	final sash RN	of lease C liabilities RM'000	of lease Derecognition abilities of leases RM'000 RM'000	of new leases r RM'000		1 July 2022 RM'000	July financing 2022 cash flows 1'000 RM'000	financing Derecognition ash flows of leases RM'000 RM'000	of new leases RM'000	ωč	30 June 2023 RM'000
Group												
Banker's acceptances	42,062	(6,348)				718	36,432	4,623	1		29	41,084
Hire purchase liabilities	436	(231)	1	1	325	1	530	(247)	1	420	•	703
Term loans	37,176	23,389				290	60,855	3,107	1			63,962
Export financing	10,944	(4,909)	1			1	6,035	9,888	1		1	15,923
Revolving credit	2,500	(2,500)	ı	ı		1	1	10,000	1	•	•	10,000
Lease liabilities	22,754	(3,648)	618	(8)		1	19,716	(3,735)	(32)	4,323	250	20,819
Total liabilities from												
financing activities 115,872	115,872	5,753	618	(8)	325	1,008	123,568	23,636	(32)	4,743	579	579 152,491

				At
		Net changes		1 July
	At	from	At	2022/
	1 July	financing	30 June	30 June
	2021	cash flows	2022	2023
	RM'000	RM'000	RM'000	RM'000
Company				
Revolving credit/				
Total liabilities from financing activities	1,000	(1,000)	1	•

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 2023 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 2023 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 9 October 2023.

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"), IFRS Accounting 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 2023

- MFRS 17, Insurance Contracts
- Amendments to MFRS 17, Insurance Contracts Initial application of MFRS 17 and MFRS 9 Comparative Information
- Amendments to MFRS 101, Presentation of Financial Statements 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 and International Tax Reform – Pillar Two Model Rules

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendments to MFRS 16, Leases Lease Liability in a Sale and Leaseback
- Amendments to MFRS 101, Presentation of Financial Statements Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current
- Amendments to MFRS 107, Statement of Cash Flows and MFRS 7, Financial Instruments: Disclosures Supplier Finance Arrangements

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2025

Amendments to MFRS 121, The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements (continued)

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 6 - intangible assets

Note 8 - valuation of inventories

Note 24.4 - 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(iii) 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.

(iv) 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.

(v) 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency (continued)

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

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

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

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

(c) Financial instruments

(i) 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.

NOTES TO THE FINANCIAL STATEMENTS

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(j)(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(i)(i)).

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(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.

(e) Leases

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Inventories

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

The cost of inventories is 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) Contract asset and contract liability

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(j)(i)).

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(i) 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.

(j) 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment (continued)

(i) Financial assets (continued)

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment (continued)

(ii) Other assets (continued)

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.

(k) 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.

(I) 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Borrowing costs

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

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

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

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

(n) 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) 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.

(q) 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.

(r) 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

			Equipment,	Electrical			
	Land	Plant	furniture	installation			
	and	and	and	and	Motor	Construction	
	buildings	machinery	fittings	renovation	vehicles	-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group							
At cost							
At 1 July 2021	95,439	203,156	30,393	43,006	5,520	44,723	422,237
Additions (see Note 21)	415	4,275	1,866	639	434	28,021	35,650
Disposals	-	(682)	-	(173)	-	-	(855)
Written off	-	(619)	(151)	-	-	-	(770)
Transfers	24,453	22,973	189	4,522	-	(52,137)	-
Translation differences	(1,554)	(1,980)	(144)	(904)	(45)	(804)	(5,431)
At 30 June 2022/1 July 2022	118,753	227,123	32,153	47,090	5,909	19,803	450,831
Additions (see Note 21)	728	3,971	1,756	487	456	11,802	19,200
Disposals	-	(1,077)	(51)	-	(792)	(58)	(1,978)
Written off	(17)	(1,786)	(383)	(95)	-	(10)	(2,291)
Transfers	7,453	3,373	247	526	-	(11,599)	-
Translation differences	3,398	5,515	413	1,510	58	405	11,299
At 30 June 2023	130,315	237,119	34,135	49,518	5,631	20,343	477,061
Accumulated depreciation							
At 1 July 2021	18,918	107,595	19,827	16,961	4,124	-	167,425
Depreciation charge	2,401	11,269	2,645	2,594	517	-	19,426
Disposals	-	(242)	-	(40)	-	-	(282)
Written off	-	(457)	(138)	-	-	-	(595)
Translation differences	(397)	(1,679)	(137)	(192)	(37)	-	(2,442)
At 30 June 2022/1 July 2022	20,922	116,486	22,197	19,323	4,604	-	183,532
Depreciation charge	3,405	12,747	2,363	2,821	419	-	21,755
Disposals	_	(612)	(51)	-	(685)	-	(1,348)
Written off	_	(1,583)	(370)	(92)	_	-	(2,045)
Translation differences	665	2,731	316	416	51	-	4,179
At 30 June 2023	24,992	129,769	24,455	22,468	4,389	-	206,073
Carrying amounts							
At 1 July 2021	76,521	95,561	10,566	26,045	1,396	44,723	254,812
At 30 June 2022/1 July 2022	97,831	110,637	9,956	27,767	1,305	19,803	267,299
At 30 June 2023	105,323	107,350	9,680	27,050	1,242	20,343	270,988

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land and buildings

Included in the carrying amounts of land and buildings are:

	Gro	Group		
	2023	2022		
	RM'000	RM'000		
Land	20,568	20,213		
Buildings	84,755	77,618		
	105,323	97,831		

3.1 Security

The land and buildings and plant and machinery of the Group with a carrying amount of RM72,517,000 (2022: RM75,349,000) are charged to licensed banks as security for banking facilities granted as disclosed in Note 13.

3.2 Leased motor vehicles

The carrying amount of motor vehicles of the Group acquired under hire purchase agreements is RM821,000 (2022: RM726,000).

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.

NOTES TO THE FINANCIAL STATEMENTS

4. RIGHT-OF-USE ASSETS

	Land RM'000	Buildings RM'000	Plant and equipment RM'000	Total RM'000
Group				
At 1 July 2021	20,122	10,487	37	30,646
Remeasurement	491	-	-	491
Derecognition	-	(7)	-	(7)
Depreciation	(599)	(3,103)	(37)	(3,739)
Translation differences	(374)	-	-	(374)
At 30 June 2022/1 July 2022	19,640	7,377	-	27,017
Addition	-	4,045	278	4,323
Derecognition	-	(39)	-	(39)
Depreciation	(605)	(4,078)	(112)	(4,795)
Translation differences	536	345	24	905
At 30 June 2023	19,571	7,650	190	27,411

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.

4.1 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.

	recog	abilities inised unted)	Potential future lease payments not included in lease liabilities (discounted)		Historical rate of exercise of extension options	
	2023	2022	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000	%	%
Group						
Buildings	3,909	2,435	9,716	12,674	50	37

4.2 Security

At 30 June 2023, the land with a carrying amount of RM11,429,000 (2022: RM11,459,000) is charged to banks as security for banking facilities granted to the Company as disclosed in Note 13.

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENTS IN SUBSIDIARIES

	Com	pany
	2023	2022
	RM'000	RM'000
Cost of investment	321,836	321,836

Details of the subsidiaries are as follows:

Name of entity Principal activities		Principal place	Effective	
		of business/		ership
		Country of		st and
		incorporation	voting i	interest
			2023	2022
			%	%
Direct subsidiaries				
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
Karex Holdings Sdn. Bhd.	Investment holding	Malaysia	100	100
Karex Industries Sdn. Bhd.	Manufacture and sale of condoms, rubber products, personal lubricants and others	Malaysia	100	100
Karex International Sdn. Bhd.	Investment holding	Malaysia	100	100
Karex Marketing Sdn. Bhd.	Manufacture and sale of hand sanitizers, condoms, personal lubricants and others	Malaysia	100	100
Karex Polymers Limited*	Manufacturing of pre-vulcanised latex	Thailand	100	100
Medical-Latex (Dua) Sdn. Bhd.	Manufacture and sale of condoms, rubber products, personal lubricants and others	Malaysia	100	100
Subsidiary of Global Protecti	on Corporation			
Global Protection Corp UK Limited*	Dormant	United Kingdom	100	100
Subsidiary of Karex Global L	imited			
Global Protection Corporation*	Distribution, packaging and marketing of condoms and related products	United States of America	100	100
Subsidiary of Karex Holdings	Sdn. Bhd.			
Pasante Healthcare Limited*	Wholesalers of healthcare products	United Kingdom	100	100
Subsidiary of Karex Industrie	es Sdn. Bhd.			
Uro Technology Sdn. Bhd.	Manufacture and sale of sterile catheters	Malaysia	100	100

^{*} Not audited by KPMG PLT

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 2021	27,230	61,397	2,928	5,947	97,502
Addition	-	-	75	-	75
Effect of movements in exchange rates	-	1,983	234	-	2,217
At 30 June 2022/1 July 2022	27,230	63,380	3,237	5,947	99,794
Addition	-	-	514	-	514
Effect of movements in exchange rates	-	1,296	130	-	1,426
At 30 June 2023	27,230	64,676	3,881	5,947	101,734
Accumulated amortisation			4 400		4.400
At 1 July 2021	-	-	1,108	-	1,108
Amortisation charge	-	-	264	-	264
Effect of movements in exchange rates	-	-	50	-	50
At 30 June 2022/1 July 2022	-	-	1,422	-	1,422
Amortisation charge	-	-	252	-	252
Effect of movements in exchange rates	-	-	63	-	63
At 30 June 2023	_	-	1,737	-	1,737
Accumulated impairment loss					
At 1 July 2021	-	848	-	-	848
Impairment loss	_	-	_	358	358
At 30 June 2022	_	848	_	358	1,206
At 1 July 2022/30 June 2023	-	848	-	358	1,206
Carrying amounts					
At 1 July 2021	27,230	60,549	1,820	5,947	95,546
At 30 June 2022/1 July 2022	27,230	62,532	1,815	5,589	97,166
At 30 June 2023	27,230	63,828	2,144	5,589	98,791

NOTES TO THE FINANCIAL STATEMENTS

6. INTANGIBLE ASSETS (CONTINUED)

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.

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		Bra	Brands		Other intangible assets	
	2023	2022	2023	2022	2023	2022	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Pasante Healthcare Limited							
("Pasante")	27,230	27,230	-	-	-	-	
"ONE" brand manufacturing							
and distribution	-	-	29,728	28,432	-	-	
"Trustex" brand manufacturing							
and distribution	-	-	34,100	34,100	-	-	
Other intangible assets related							
to fitted condom	-	-	-	-	5,589	5,589	
	27,230	27,230	63,828	62,532	5,589	5,589	

NOTES TO THE FINANCIAL STATEMENTS

6. INTANGIBLE ASSETS (CONTINUED)

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 with no terminal growth rate.
- ii) Revenue were projected based on management estimation of increase in product range in the first projection year and subsequently with growth rate of 8% 10% on historical sales performance.
- iii) Profit margins were based on the historical performance of the distribution units and remain constant throughout the projected period.
- iv) A pre-tax discount rate of 14.1% was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the industry's weighted average cost of capital.

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 with no terminal growth rate.
- 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 14.9% to 15.0% 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 with no terminal growth rate.
- ii) Revenue was projected based on adult population that uses condom of the target territories.
- Profit margin was based on the historical performance of the manufacturing and distribution units and remain constant throughout the projected period.
- iv) A pre-tax discount rate of 15.2% was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the industry's weighted average cost of capital.

NOTES TO THE FINANCIAL STATEMENTS

6. INTANGIBLE ASSETS (CONTINUED)

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

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

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

	1 percentage point change in revenue growth		1 percent chan gross pro		1 percentage point change in discount rate	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Pasante	8,206	9,436	7,504	4,596	8,320	6,150
"ONE" brand manufacturing and distribution	8,494	8,792	6,774	6,220	12,104	13,058
"Trustex" brand manufacturing and distribution	3,550	6,991	1,590	8,790	4,745	11,138
Other intangible assets related to fitted condom	1,030	1,784	552	876	596	851

7. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabi	lities	Net	
	2023	2022	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Property, plant and equipment	-	-	(13,626)	(13,408)	(13,626)	(13,408)
Right-of-use assets	-	-	(1,711)	(86)	(1,711)	(86)
Unutilised business losses	2,821	2,774	-	-	2,821	2,774
Unutilised reinvestment						
allowances	2,232	1,932	-	-	2,232	1,932
Unutilised capital allowances	6,093	7,418	-	-	6,093	7,418
Inventories	3,527	2,146	-	-	3,527	2,146
Trade receivables	1,293	1,337	-	(1,688)	1,293	(351)
Lease liabilities	1,892	-	-	-	1,892	-
Others	776	402	(2,339)	(765)	(1,563)	(363)
Tax assets/(liabilities)	18,634	16,009	(17,676)	(15,947)	958	62
Set off of tax	(14,426)	(13,133)	14,426	13,133	-	-
Net tax assets/(liabilities)	4,208	2,876	(3,250)	(2,814)	958	62

NOTES TO THE FINANCIAL STATEMENTS

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

Movement in temporary differences during the year

	At 1 July 2022 RM'000	Recognised in profit or loss (Note 18) RM'000	At 30 June 2023 RM'000
Group			
Property, plant and equipment	(13,408)	(218)	(13,626)
Right-of-use assets	(86)	(1,625)	(1,711)
Unutilised business losses	2,774	47	2,821
Unutilised reinvestment allowances	1,932	300	2,232
Unutilised capital allowance	7,418	(1,325)	6,093
Inventories	2,146	1,381	3,527
Trade receivables	(351)	1,644	1,293
Lease liabilities	-	1,892	1,892
Others	(363)	(1,200)	(1,563)
	62	896	958

		Recognised	
	At	in profit	At
	1 July	or loss	30 June
	2021	(Note 18)	2022
	RM'000	RM'000	RM'000
Group			
Property, plant and equipment	(11,923)	(1,485)	(13,408)
Right-of-use assets	(75)	(11)	(86)
Unutilised business losses	2,287	487	2,774
Unutilised reinvestment allowances	1,227	705	1,932
Unutilised capital allowance	4,048	3,370	7,418
Inventories	1,356	790	2,146
Trade receivables	2,171	(2,522)	(351)
Lease liabilities	49	(49)	-
Assets and liabilities not currently deductible/taxable for			
tax purpose	(1,510)	1,510	-
Others	873	(1,236)	(363)
	(1,497)	1,559	62

NOTES TO THE FINANCIAL STATEMENTS

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

Movement in temporary differences during the year (continued)

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:

	Gro	oup
	2023	2022
	RM'000	RM'000
Within 5 years of recognition	3,408	1,932
Within 10 years of recognition	1,645	2,774
	5,053	4,706

Unutilised capital allowances do not expire under respective tax authority.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in unutilised tax losses of the subsidiaries amounting to RM10,414,000 (2022: RM4,929,000) because it is not probable that future taxable profit will be available against which the subsidiaries can utilise the benefits therefrom.

8. INVENTORIES

	Gre	Group		
	2023	2022		
	RM'000	RM'000		
Raw materials	34,072	39,176		
Work-in-progress	44,065	42,595		
Finished goods	76,959	68,457		
Chemicals and factory supplies	2,652	2,131		
	157,748	152,359		
Carrying amount:				
- At cost	152,711	143,027		
- At net realisable value	5,037	9,332		
	157,748	152,359		
Recognised in profit or loss:				
- Inventories recognised as cost of sales	390,962	327,089		
- Allowance for slow-moving	3,355	1,007		
- Written down to net realisable value	912	635		
- Written off	985	331		

NOTES TO THE FINANCIAL STATEMENTS

9. TRADE AND OTHER RECEIVABLES

	Gro	oup	Company		
	2023	2022	2023	2022	
	RM'000	RM'000	RM'000	RM'000	
Trade					
Trade receivables	113,581	105,336	-	-	
Non-trade					
Other receivables	4,045	4,292	-	-	
Deposits	1,676	1,348	-	-	
Prepayments	8,791	7,241	-	27	
Due from subsidiaries	-	-	83,944	78,443	
	14,512	12,881	83,944	78,470	
	128,093	118,217	83,944	78,470	

The amounts due from subsidiaries are unsecured, subject to interest at 5% (2022: 5%) per annum and repayable upon demand.

Included in prepayments is advance payment made to suppliers amounting to RM463,000 (2022: RM1,718,000).

10. CONTRACT ASSETS/(LIABILITIES)

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.

The contract liabilities primarily relate to the advance consideration from a customer for works which revenue will be recognised upon work completion. The contract liabilities are expected to be recognised as revenue within 90 days.

11. DEPOSITS, BANK AND CASH BALANCES

	Gro	oup	Company		
	2023	2022	2023	2022	
	RM'000	RM'000	RM'000	RM'000	
Cash and bank balances	29,705	20,276	317	2,762	
Short-term deposits	2,080	1,595	2,015	134	
Deposits, bank and cash balances in the					
statements of financial position	31,785	21,871	2,332	2,896	
Less: Bank overdraft	(4,092)	-	-	-	
Less: Pledged deposits	(65)	(1,461)	-	-	
Cash and cash equivalents in the					
statements of cash flows	27,628	20,410	2,332	2,896	

Included in short-term deposits of the Group are RM65,000 (2022: RM1,461,000) pledged to bank as security for bank guarantee granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS

12. CAPITAL AND RESERVES

Share capital

	Group/C	ompany	Group/Company Number of ordinary shares		
	2023 RM'000	2022 RM'000	2023 '000	2022 '000	
Issued and fully paid shares with no par value classified as equity instruments:					
Ordinary shares	324,244	324,244	1,053,461	1,053,461	

Reserves

	Gro	oup	Company		
	2023	2022	2023	2022	
	RM'000	RM'000	RM'000	RM'000	
Distributable					
Retained earnings	71,200	60,722	20,254	15,355	
Non-distributable					
Merger reserve	63,511	63,511	63,511	63,511	
Translation reserve	16,894	8,587	-	-	
Other reserve	718	718	-	-	
	152,323	133,538	83,765	78,866	

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)(iii).

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. This legal reserve is not available for dividend distribution.

NOTES TO THE FINANCIAL STATEMENTS

13. LOANS AND BORROWINGS

	Gro	oup	Company		
	2023	2022	2023	2022	
	RM'000	RM'000	RM'000	RM'000	
Non-current					
Term loans	52,906	52,626	-	-	
Hire purchase liabilities	438	304	-	-	
	53,344	52,930	-	-	
Current					
Term loans	11,056	8,229	-	-	
Bankers' acceptances	41,084	36,432	-	-	
Export financing	15,923	6,035	-	-	
Hire purchase liabilities	265	226	-	-	
Revolving credit	10,000	-	-	-	
Bank overdraft	4,092	-	-	-	
	82,420	50,922	-	-	
	135,764	103,852	-	-	

The loans and borrowings are secured by:

- i) Fixed and floating charges over the Group's certain assets as disclosed in Notes 3, 4 and 11; and
- ii) Corporate guarantee by the Company.

Significant covenants

The borrowings of subsidiaries of the Group are subject to the following covenants:

- a. Maintain gearing ratio of the subsidiary at 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 Group shall not be less than RM350,000,000.
- c. The 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 subsidiary and its related companies.
- d. The subsidiaries shall not without the banks' prior written consent, declare and pay dividend exceeding 50% of the profit after tax of each financial year.

NOTES TO THE FINANCIAL STATEMENTS

14. TRADE AND OTHER PAYABLES

	Gro	oup	Company		
	2023 2022		2023	2022	
	RM'000	RM'000	RM'000	RM'000	
Trade					
Trade payables	41,932	63,838	-	-	
Non-trade					
Other payables and accrued expenses	29,767	30,807	125	127	
	71,699	94,645	125	127	

15. DERIVATIVE FINANCIAL LIABILITIES

	2020	3	2022		
	Nominal value RM'000	Financial liabilities RM'000	Nominal value RM'000	Financial liabilities RM'000	
Group					
Derivatives at fair value through profit or loss					
- Forward exchange contracts	33,223	796	53,506	1,266	

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.

16. REVENUE

	Gro	oup	Company		
	2023 2022		2023	2022	
	RM'000	RM'000	RM'000	RM'000	
Revenue from contracts with customers	532,066	421,642	-	-	
Other revenue					
- Dividend income	-	-	-	500	
Total revenue	532,066	421,642	-	500	

NOTES TO THE FINANCIAL STATEMENTS

16. REVENUE (CONTINUED)

16.1 Disaggregation of revenue

Reportable segments								
	Sexual v	wellness	Med	lical	Oth	ers	То	tal
	2023	2022	2023	2022	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
Primary geographical markets								
Asia	118,560	94,078	18,783	14,583	-	-	137,343	108,661
Africa	78,852	55,062	124	-	-	-	78,976	55,062
Americas	216,784	175,403	1,273	1,571	-	-	218,057	176,974
Europe	70,044	58,274	17,799	13,783	9,847	8,888	97,690	80,945
	484,240	382,817	37,979	29,937	9,847	8,888	532,066	421,642
Major products and service lines								
Condoms	426,414	336,475	-	-	-	-	426,414	336,475
Personal lubricants	54,901	43,869	-	-	-	-	54,901	43,869
Probe covers	-	-	13,418	10,700	-	-	13,418	10,700
Catheters	-	-	20,497	16,737	-	-	20,497	16,737
Other	2,925	2,473	4,064	2,500	9,847	8,888	16,836	13,861
	484,240	382,817	37,979	29,937	9,847	8,888	532,066	421,642
Timing and recognition	484,240	379,554	37,979	29,937	9,847	8.888	532,066	418,379
At a point in time Over time	ŕ	3,263	31,919	,	ĺ	0,008	332,000	
Over tille	484,240	382,817	37,979	29,937	9,847	8,888	532,066	3,263 421,642
	707,240	002,017	01,919	20,001	3,047	0,000	332,000	721,042

NOTES TO THE FINANCIAL STATEMENTS

16. REVENUE (CONTINUED)

16.2 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.

17. FINANCE COSTS

	Gro	oup	Company		
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	
Interest expense of financial liabilities that are not at fair value through profit or loss	6,791	3,144	-	7	
Interest expenses on lease liabilities	637	790	-	-	
	7,428	3,934	-	7	

NOTES TO THE FINANCIAL STATEMENTS

18. TAX EXPENSE/(CREDIT)

Recognised in profit or loss

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

	Grou	p	Company		
	2023	2022	2023	2022	
	RM'000	RM'000	RM'000	RM'000	
Current tax expense					
- Current year	5,070	1,465	273	215	
- Prior years	479	(203)	30	5	
	5,549	1,262	303	220	
Deferred tax credit					
- Origination and reversal of temporary					
differences	(886)	(1,719)	-	-	
- Prior years	(10)	160	-	-	
	(896)	(1,559)	-	-	
	4,653	(297)	303	220	
Reconciliation of tax expense/(credit)					
Profit/(Loss) before tax	15,131	(6,488)	5,202	3,822	
Income tax calculated using Malaysian tax					
rate of 24%	3,631	(1,557)	1,248	917	
Non-deductible expenses	155	435	348	288	
Non-taxable income	(487)	(123)	(1,323)	(990)	
Effect of unrecognised deferred tax asset	1,316	1,183	-	-	
Effect of different tax rates in different					
jurisdictions	559	214	-	-	
Tax incentives	(990)	(406)	-	-	
	4,184	(254)	273	215	
Prior years	469	(43)	30	5	
Tax expense/(credit)	4,653	(297)	303	220	

NOTES TO THE FINANCIAL STATEMENTS

19. PROFIT/(LOSS) FOR THE YEAR

	Gre	Group		pany
	2023	2022	2023	2022
No	e RM'000	RM'000	RM'000	RM'000
Profit/(Loss) for the year is arrived at after				
charging/(crediting)				
Audit fees	040	000	04	0.5
- KPMG PLT- Overseas affiliate of KPMG PLT	312 112	292 101	91	85
- Other auditors	472	432	_	_
		.02		
Non-audit fees	_	_	_	_
- KPMG PLT	5	5	5	5
Bad debt written off	599	396	-	-
Depreciation and amortisation:				
- Property, plant and equipment	21,755	19,426	-	-
- Right-of-use assets	4,795	3,739	-	-
- Intangible assets	252	264	-	-
Expenses relating to short-term leases a	3,139	2,168	-	-
Expenses relating to leases of low-value assets a	14	14	-	-
Fair value loss on derivative instruments	796	1,266	-	-
Finance costs	7,428	3,934	-	7
Impairment loss on:				
- Intangible assets	-	358	-	-
- Trade receivables	142	86	-	-
Inventories:				
- Allowance for slow moving	3,355	1,007	-	-
- Written down to net realisable value	912	635	-	-
- Written off	985	331	-	-
Loss from remeasurement of lease liabilities	-	127	-	-
Loss/(Gain) on derecognition of right-of-use assets	4	(1)	-	-
Personnel expenses (including key management personnel):				
- Contributions to state plans	6,231	4,716	-	-
- Wages, salaries and others	122,926	108,209	518	600
Written off for property, plant and equipment	246	175	_	-
(Gain)/Loss on disposal of property, plant and				
equipment	(28)	74	-	-
Finance income	(134)	(309)	(4,061)	(3,019)
Net foreign exchange gain	(5,521)	(1,724)	(2,827)	(1,795)

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.

NOTES TO THE FINANCIAL STATEMENTS

20. EARNINGS/(LOSS) PER ORDINARY SHARE

Basic earnings/(loss) per ordinary share

The calculation of basic earnings/(loss) per ordinary share at 30 June 2023 was based on the earnings/(loss) attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group		
	2023	2022	
	RM'000	RM'000	
Profit/(Loss) for the year attributable to owners of the Company	10,478	(6,191)	
Weighted average number of ordinary shares			
Weighted average number of ordinary shares at 30 June ('000)	1,053,461	1,053,461	
Basic earnings/(loss) per ordinary share (sen)	0.99	(0.59)	

Diluted earnings/(loss) per ordinary share

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

21. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

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

	Group	
	2023	2022
	RM'000	RM'000
Current year additions	19,200	35,650
Add/(Less):		
- Amount financed by hire purchase liabilities	(420)	(325)
- Balances in respect of acquisition of property, plant and equipment included in		
other creditors:		
- at end of year	(5,819)	(5,189)
- at beginning of year	5,189	5,372
Cash outflows from acquisition of property, plant and equipment	18,150	35,508

22. DIVIDENDS

After the end of the reporting period, the following dividends is payable by the Company on 6 November 2023. This dividend will be recognised in the subsequent financial year.

	Sen per share	Total amount RM'000
2023		
Interim	0.5	5,267

NOTES TO THE FINANCIAL STATEMENTS

23. 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, right-of-use assets and intangible assets other than goodwill.

	Sexual wellness RM'000	Medical RM'000	Others RM'000	Total RM'000
2023				
Segment profit/(loss)	23,458	(2,603)	1,402	22,257
Included in the measure of segment profit are:				
Revenue from external customers	484,240	37,979	9,847	532,066
Inventories:				
- (Allowance for)/Reversal of allowance for slow moving	(3,428)	73	-	(3,355)
- Written down to net realisable value	(912)	-	-	(912)
- Written off	(977)	(8)	-	(985)
Depreciation and amortisation	(23,765)	(3,026)	(11)	(26,802)
Not included in the measure of segment profit but provided				
to CEO:				
Finance income	96	-	-	96
Finance costs	(4,682)	(2,737)	(9)	(7,428)
Segment assets	617,077	92,456	8,822	718,355
Not included in the measure of segment assets are:				
Additions to non-current assets other than financial				
instruments and deferred tax assets	15,817	8,220	-	24,037

NOTES TO THE FINANCIAL STATEMENTS

23. OPERATING SEGMENTS (CONTINUED)

	Sexual wellness RM'000	Medical RM'000	Others RM'000	Total RM'000
2022				
Segment (loss)/profit	(5,079)	151	2,016	(2,912)
Included in the measure of segment profit are:				
Revenue from external customers	382,817	29,937	8,888	421,642
Inventories:				
- Allowance for slow moving	(1,007)	-	_	(1,007)
- Written down to net realisable value	(635)	-	-	(635)
- Written off	(331)	-	-	(331)
Depreciation and amortisation	(22,541)	(874)	(14)	(23,429)
Not included in the measure of segment profit but provided to CEO:				
Finance income	33	_	-	33
Finance costs	(3,412)	(520)	(2)	(3,934)
Segment assets	580,708	95,878	10,410	686,996
Not included in the measure of segment assets are:				
Additions to non-current assets other than financial				
instruments and deferred tax assets	23,993	11,732	-	35,725

NOTES TO THE FINANCIAL STATEMENTS

23. OPERATING SEGMENTS (CONTINUED)

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

	Group	
	2023	2022
	RM'000	RM'000
Profit or loss		
Total profit/(loss) for reportable segments	22,257	(2,912)
Finance costs	(7,428)	(3,927)
Finance income	96	33
Unallocated items:		
- Corporate expenses	(2,659)	(1,746)
- Net foreign exchange gain	2,827	1,795
- Finance income from deposits with licensed banks and other corporation	38	276
- Finance costs	-	(7)
Consolidated profit/(loss) before tax	15,131	(6,488)
Total assets		
Total assets for reportable segments	718,355	686,996
Other non-reportable segments	3,370	3,617
Consolidated total assets	721,725	690,613

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 16.1.

Major customers

There is no significant concentration of sales to a customer exceeding 10% of the Group's revenue for year 2023 and 2022.

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS

24.1 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			
2023			
Financial assets			
Trade and other receivables	119,302	119,302	-
Cash and cash equivalents	31,785	31,785	-
	151,087	151,087	-
Financial liabilities			
Trade and other payables	(71,699)	(71,699)	_
Loans and borrowings	(135,764)	(135,764)	_
Derivative financial liabilities	(796)	-	(796)
	(208,259)	(207,463)	(796)
2022			
Financial assets			
Trade and other receivables	110,976	110,976	_
Contract assets	542	542	_
Cash and cash equivalents	21,871	21,871	_
	133,389	133,389	-
Financial liabilities			
Trade and other payables	(94,645)	(94,645)	_
Loans and borrowings	(103,852)	(103,852)	_
Derivative financial liabilities	(1,266)	-	(1,266)
	(199,763)	(198,497)	(1,266)

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.1 Categories of financial instruments (continued)

	Carrying amount RM'000	AC RM'000	Mandatorily at FVTPL RM'000
Company			
2023			
Financial assets			
Trade and other receivables	83,944	83,944	-
Cash and cash equivalents	2,332	2,332	-
	86,276	86,276	-
Financial liabilities Trade and other payables	(125)	(125)	
Trade and other payables	(125)	(125)	
2022			
Financial assets	70.440	70.440	
Trade and other receivables	78,443	78,443	-
Cash and cash equivalents	2,896	2,896	-
	81,339	81,339	-
Financial liabilities			
Trade and other payables	(127)	(127)	-

24.2 Net gains and losses arising from financial instruments

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Net (losses)/gains on:				
Financial liabilities at amortised cost	(6,791)	(3,144)	-	(7)
Financial assets at amortised cost	4,914	1,551	6,888	4,813
Financial liabilities at fair value through				
profit or loss				
- Mandatorily required by MFRS 9	(796)	(1,266)	-	-
	(2,673)	(2,859)	6,888	4,806

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

24.4 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.

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.4 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			
2023			
Current (not past due)	77,217	-	77,217
1 - 30 days past due	24,336	-	24,336
31 - 60 days past due	7,330	-	7,330
61 - 90 days past due	2,798	-	2,798
More than 90 days past due	1,913	13	1,900
	113,594	13	113,581
Credit impaired			
Individually impaired	297	297	-
	113,891	310	113,581
Trade receivables	113,891	310	113,581
2022			
Current (not past due)	74,617	_	74,617
1 - 30 days past due	16,118	-	16,118
31 - 60 days past due	7,689	-	7,689
61 - 90 days past due	2,355	-	2,355
More than 90 days past due	5,099	-	5,099
	105,878	-	105,878
Credit impaired			
Individually impaired	1,472	1,472	_
	107,350	1,472	105,878
Trade receivables	106,808	1,472	105,336
Contract assets	542	-	542
	107,350	1,472	105,878

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.4 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.

	Gro	oup
	2023 RM'000	2022 RM'000
Balance as at 1 July	1,472	1,386
Amounts written off	(1,304)	-
Net remeasurement of loss allowance	142	86
Balance as at 30 June	310	1,472

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.4 Credit risk (continued)

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 RM151,927,000 (2022: RM115,372,000) 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.

24.5 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.

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.5 Liquidity risk (continued)

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							
2023							
Non-derivative financial liabilities							
Trade and other payables	71,699	-	71,699	71,699	-	-	-
Term loans	63,962	3.08 - 5.43	72,886	14,237	13,411	27,730	17,508
Hire purchase liabilities	703	2.90 - 5.24	748	290	239	219	-
Bankers' acceptances	41,084	2.50 - 6.40	41,445	41,445	-	-	-
Export financing	15,923	2.75 - 6.58	16,890	16,890	-	-	-
Lease liabilities	20,819	3.70 - 4.50	23,183	4,416	2,176	6,431	10,160
Revolving credit	10,000	5.02 - 5.22	10,514	10,514	-	-	-
Bank overdraft	4,092	5.30 - 8.05	4,334	4,334	-	-	-
	228,282		241,699	163,825	15,826	34,380	27,668
Derivative financial liabilities							
Forward exchange contracts (gross settled):							
- Outflow	796	_	34,019	34,019	_	_	_
- Inflow	_	_	(33,223)	(33,223)	_	_	_
	229,078	-	242,495	164,621	15,826	34,380	27,668
2022 Non-derivative financial liabilities							
Trade and other payables	94,645	-	94,645	94,645	-	-	-
Term loans	60,855	1.98 - 4.10	65,764	11,971	13,066	28,193	12,534
Hire purchase liabilities	530	2.90 - 4.39	557	238	143	176	-
Bankers' acceptances	36,432	2.00 - 5.30	36,432	36,432	-	-	-
Export financing	6,035	1.94 - 2.62	6,054	6,054	-	-	-
Lease liabilities	19,716	3.70 - 4.50	26,567	3,675	1,903	5,626	15,363
	218,213		230,019	153,015	15,112	33,995	27,897
5							
Derivative financial liabilities							
Forward exchange contracts	1,266	-	54,772	54,772	-	-	-
Forward exchange contracts (gross settled):	1,266	-	54,772 (53,506)	54,772 (53,506)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.5 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							
2023							
Non-derivative financial liabilities							
Trade and other payables	125	-	125	125	-	-	-
Financial guarantee*	-	-	151,927	151,927	-	-	-
	125	-	152,052	152,052	-	-	-
2022							
Non-derivative financial liabilities							
Trade and other payables	127	-	127	127	-	-	-
Financial guarantee*	-	-	115,372	115,372	-	-	-
	127	-	115,499	115,499	-	-	-

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

24.6 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.

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.6 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:

		De	nominated in		
	USD	CNY	EUR	GBP	SGD
	RM'000	RM'000	RM'000	RM'000	RM'000
Group					
2023					
Trade receivables	62,137	4,452	699	-	-
Intercompany receivables	142,048	-	39	-	-
Cash and cash equivalents	11,616	202	446	244	-
Trade payables	(7,057)	-	-	-	-
Other payables	(3,559)	-	-	-	-
Intercompany payables	(95,769)	-	-	-	-
Loans and borrowings	(40,793)	-	-	-	-
Forward exchange contracts	(33,223)	-	-	-	-
Net exposure	35,400	4,654	1,184	244	-
2022					
Trade receivables	45,526	4,354	82	-	65
Intercompany receivables	135,830	-	35	1,162	-
Cash and cash equivalents	4,036	22	593	922	-
Trade payables	(9,999)	-	-	-	-
Other payables	(4,638)	-	(3)	-	-
Intercompany payables	(70,210)	-	-	-	-
Loans and borrowings	(32,742)	-	-	-	-
Forward exchange contracts	(53,506)	-	-	-	-
Net exposure	14,297	4,376	707	2,084	65

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.6 Market risk (continued)

Currency risk (continued)

Exposure to foreign currency risk (continued)

	Denominated in		
	USD	GBP	
	RM'000	RM'000	
Company			
2023			
Intercompany receivables	60,422	-	
Cash and cash equivalents	82	-	
Net exposure	60,504	-	
2022			
Intercompany receivables	38,179	1,162	
Cash and cash equivalents	12	-	
Net exposure	38,191	1,162	

Currency risk sensitivity analysis

A 10% (2022: 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						
2023						
Profit or (loss)	(2,690)	(354)	(90)	(19)	-	
2022						
Profit or (loss)	(1,087)	(333)	(54)	(158)	(5)	

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.6 Market risk (continued)

Currency risk (continued)

Currency risk sensitivity analysis (continued)

	Denomin	ated in
	USD RM'000	GBP RM'000
Company		
2023		
Profit or (loss)	(4,598)	-
2022		
Profit or (loss)	(2,903)	(88)

A 10% (2022: 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.

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.6 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:

	Gro	oup	Com	pany
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Financial assets	2,080	1,595	85,959	78,577
Financial liabilities	(67,710)	(42,997)	-	-
Lease liabilities	(20,819)	(19,716)	-	-
	(86,449)	(61,118)	85,959	78,577
Floating rate instruments				
Financial liabilities	(68,054)	(60,855)	-	<u>-</u> _

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 post-tax profit or loss by RM517,000 (2022: RM462,000). This analysis assumes that all other variables remained constant.

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.7 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	Total	Carrying
	fair value	fair value	amount
	Level 2		
	RM'000	RM'000	RM'000
Group			
2023			
Financial liabilities			
Forward exchange contracts	(796)	(796)	(796)
2022			
Financial liabilities			
Forward exchange contracts	(1,266)	(1,266)	(1,266)

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 (2022: no transfer in either direction).

NOTES TO THE FINANCIAL STATEMENTS

25. 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 2023, 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:

	Gro	oup
	2023	2022
	RM'000	RM'000
Total borrowings (Note 13)	135,764	103,852
Lease liabilities	20,819	19,716
Total debt	156,583	123,568
Less: Deposits, bank and cash balances (Note 11)	(31,785)	(21,871)
	124,798	101,697
Total equity attributable to owners of the Company	476,567	457,782
Debt to equity ratio	0.33	0.27

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.

26. CAPITAL COMMITMENT

	Gr	oup
	2023	2022
	RM'000	RM'000
Capital expenditure commitment		
Property, plant and equipment		
Contracted but not provided for	3,638	620

NOTES TO THE FINANCIAL STATEMENTS

27. 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.

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.

		Gro	oup	Com	pany
		2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
A.	Subsidiaries				
	Dividend income	-	-	-	500
	Interest income	-	-	4,024	2,743
	Advance to	-	-	18,097	38,727
В.	Entities in which certain Directors/				
	Directors' close family members have				
	substantial financial interest				
	Sales of goods	72	113	-	-
C.	Key management personnel				
	Directors				
	- Fees	490	600	490	600
	- Remunerations	2,139	1,351	38	41
	- Benefits	37	44	-	-
	- Contributions to the state plans	386	242	-	-
		3,052	2,237	528	641
	Senior management				
	- Remunerations	2,109	1,819	_	-
	- Contributions to the state plans	391	339	-	_
	•	2,500	2,158	-	-
Tot	al short-term employee benefits	5,552	4,395	528	641

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 78 to 141 are drawn up in accordance with Malaysian Financial Reporting Standards, IFRS Accounting 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 2023 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: 9 October 2023

ANNUAL REPORT 2023 FINANCIAL STATEMENTS

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 78 to 141 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 abovenamed Goh Chok Siang, NRIC: 710621-04-5081, MIA CA 14638, at Puchong in the State of Selangor on 9 October 2023.

Goh Chok Siang

Before me: Ng Say Jin (B195) Commissioner For Oaths FINANCIAL STATEMENTS KAREX BERHAD

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 2023 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 78 to 141.

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 2023, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, IFRS Accounting 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.

Impairment of non-financial assets - Group

Impairment of goodwill and intangible assets - 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 RM63,828,000 and other intangible assets of RM5,589,000 with indefinite useful life as at 30 June 2023 which are required to be tested for impairment on an annual basis. When a review of impairment is conducted, the recoverable amount is determined based on discounted future cash flow projections using the Group's assumptions and assessment of the future results and prospects of the business. The key assumptions applied by the Group in the cash flow projections are those relating to discount rates, revenue growth rates and profit margin.

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

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KAREX BERHAD

Key Audit Matters (continued)

Impairment of goodwill and intangible assets - Group

How the matter was addressed in our audit:

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

- We evaluated design and implementation of the Group's controls over valuation of intangible assets.
- 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, profit margin and terminal value 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 reflected the risk 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 2023, the Group has reported inventory balance of RM157,748,000.

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

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

How the matter was addressed in our audit:

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

- We assessed the appropriateness of the management's approach in adopting the Group's policy by performing retrospective review 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 2023 by comparing the most recent selling prices of the finished goods to assess whether these exceeded the carrying value of inventories at year end.

FINANCIAL STATEMENTS KAREX BERHAD

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KAREX BERHAD

Key Audit Matters (continued)

Impairment on investment in subsidiaries - Company

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

The key audit matter

As at 30 June 2023, 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 existed, 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 analysis 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.

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.

ANNUAL REPORT 2023 FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KAREX BERHAD

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, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

FINANCIAL STATEMENTS KAREX BERHAD

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KAREX BERHAD

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

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.

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

Johor Bahru

Date: 9 October 2023

Lam Shuh Siang

Approval Number: 03045/02/2025 J

Chartered Accountant

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 2023 RM'000
1	PTD 7906, Taman Pontian Jaya, Batu 34 Jalan Johor, 82000 Pontian, Johor Darul Takzim, Malaysia	9,354/ 5,460	1 1/2 storey semi-detached building which we use as office, factory and warehouse	05/04/2000	Freehold	-	30	466
2	PTD 7907, Taman Pontian Jaya, Batu 34 Jalan Johor, 82000 Pontian, Johor Darul Takzim, Malaysia	10,807/ 5,460	1 1/2 storey semi-detached building which we use as office, factory and warehouse	05/04/2000	Freehold	-	30	466
3	Lot 1235, Benut, 82000 Pontian, Johor Darul Takzim, Malaysia	225,418/-	Vacant Land	10/09/2002	Freehold	-	-	853
4	PTD 7915, Taman Pontian Jaya, Batu 34 Jalan Johor, 82000 Pontian, Johor Darul Takzim, Malaysia	9,720/ 5,460	1 1/2 storey semi-detached building which we use as warehouse	22/02/2005	Freehold	-	30	502
5	Lot 2767, Jalan Johor, 82000 Pontian, Johor Darul Takzim, Malaysia	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, Malaysia	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	30	569
7	Lot 2491, Batu 39 1/2, Jalan Johor, 82000 Pontian, Johor Darul Takzim, Malaysia	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	30	2,599
8	Lot 10985, Batu 39 1/2, Jalan Johor, 82000 Pontian, Johor Darul Takzim, Malaysia	39,204/ 6,439	Single Storey Semi- Detached building which we use as factory and warehouse	27/7/2015	Leasehold 99 years	October 2063	30	1,575

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 2023 RM'000
9	Lot 10986, Batu 39 1/2, Jalan Johor, 82000 Pontian, Johor Darul Takzim, Malaysia	199,477/ 152,058	2 storey buildings which we use as office, factory and warehouse	27/7/2015	Freehold	-	30	14,732
10	PTD 5997, Batu 39 1/2, Jalan Johor, 82000 Pontian, Johor Darul Takzim, Malaysia	168,563/-	Vacant Land	27/7/2015	Freehold	-	-	3,050
11	Lot 591, Persiaran Raja Lumu, Pandamaran Industrial Estate, 42000 Port Klang, Selangor Darul Ehsan, Malaysia	43,560/ 28,908	1 1/2 storey building which we use as warehouse	09/03/2012	Leasehold 99 years	September 2074	32	5,299
12	Lot 594, Persiaran Raja Lumu, Pandamaran Industrial Estate, 42000 Port Klang, Selangor Darul Ehsan, Malaysia	43,560/ 63,907	3 storey building which we use as office, factory and warehouse	20/10/2003	Leasehold 99 years	September 2074	35	9,484
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	18	1,644
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	18	2,381
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	9	2,712

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 2023 RM'000
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	8	19,948
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/ 170,508	Single storey building, which we use as factory and warehouse	22/09/2020	Leasehold 30 years	September 2050	2	30,550
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	7	8,100
19	PTD 8780, PLO8, Jalan Perindustrian, Senai Industrial Estate 1, 81400 Senai, Johor Darul Takzim, Malaysia	174,235/ 79,789	Single storey building which we use as office, factory and warehouse	12/01/1983	Leasehold 60 years	January 2043	38	8,004
20	PTD 8786, PLO11, Jalan Perindustrian, Senai Industrial Estate 1, 81400 Senai, Johor Darul Takzim, Malaysia	87,123/ 1,956	Single storey building which we use as factory and warehouse	23/09/1985	Leasehold 60 years	September 2045	38	1,452

ANALYSIS OF SHAREHOLDINGS

AS AT 27 SEPTEMBER 2023

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 : 12,157

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of	% of	No. of	% of Issued
	Shareholders	Shareholders	Shares	Share Capital
Less than 100	474	3.90	18,883	0.00
100 - 1,000	1,639	13.48	1,012,154	0.10
1,001 - 10,000	6,176	50.80	31,802,895	3.02
10,001 - 100,000	3,387	27.86	106,813,304	10.14
100,001 to less than 5% of issued shares	479	3.94	616,229,525	58.49
5% and above of issued shares	2	0.02	297,584,000	28.25
Total	12,157	100.00	1,053,460,761	100.00

LIST OF DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDING AS AT 27 SEPTEMBER 2023

Name of Directors	Direct Inter	est	Indirect Inte	rest
	No of Shares	%	No of Shares	%
Dato' Dr. Ong Eng Long @ Ong Siew Chuan	860,000	0.08	-	-
Professor Dato' Dr. Adeeba binti Kamarulzaman	-	-	-	-
Dato' Edward Siew Mun Wai	-	-	-	-
Chew Fook Aun	-	-	150,000(1)	0.01
Lam Jiuan Jiuan	19,087,456	1.81	262,402,056(2)	24.91
Goh Yen Yen	12,062,456	1.15	121,460,400 ⁽³⁾	11.53
Goh Leng Kian	41,468,865	3.94	184,823,750(4)	17.54
Goh Miah Kiat	49,055,097	4.66	184,250,000(5)	17.49

ANALYSIS OF SHAREHOLDINGS

AS AT 27 SEPTEMBER 2023

LIST OF SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 27 SEPTEMBER 2023

Name of Substantial Shareholders	Direct Hold	ings	Indirect Holdings (excluding bare trustees)		
	No.	%	No.	%	
Karex One Limited	184,250,000	17.49	-	-	
Maryen Holdings Limited	121,460,400	11.53	-	-	
Lam Yiu Pang Albert	49,312,456	4.68	232,177,056(6)	22.04	
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(4)	17.54	
Goh Yen Yen	12,062,456	1.15	121,460,400(3)	11.53	
Goh Yin	19,181,170	1.82	121,460,400(3)	11.53	
Goh Ai Noi	-	-	211,286,056 ⁽⁷⁾	20.06	
Goh Miah Kiat	49,055,097	4.66	184,250,000(5)	17.49	

- Deemed interested by virtue of his interest in The Orchid Growers Association Ltd pursuant to Section 8 of the Companies Act 2016.
- 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.
- Deemed interested by virtue of her interest in Maryen Holdings Limited pursuant to Section 8 of the Companies Act, 2016.
- 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.
- (6) Deemed interested by virtue of his interest in Karex One Limited pursuant to Section 8 of the Companies Act 2016.
- 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.
- 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 2023

No.	Name of Shareholders	No. of Shares	%
1.	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR BNP PARIBAS SINGAPORE BRANCH (A/C CLIENTS-FGN)	177,584,000	16.86
2.	CIMSEC NOMINEES (ASING) SDN. BHD. CIMB FOR MARYEN HOLDINGS LIMITED (PB)	120,000,000	11.39
3.	CIMSEC NOMINEES (ASING) SDN. BHD. CIMB FOR LAM YIU PANG ALBERT (PB)	49,312,456	4.68
4.	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DAVIN THOMAS WEDEL	48,423,500	4.60
5.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GOH LENG KIAN (PB)	27,468,865	2.61
6.	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR JEYYA LIMITED (PB)	25,162,456	2.39
7.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH MIAH KIAT	22,300,000	2.12
8.	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR LAM JIUAN JIUAN (PB)	19,087,456	1.81
9.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GOH YIN (PB)	18,952,170	1.80
10.	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH MIAH KIAT	17,755,000	1.69
11.	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR CREDIT SUISSE (HK BR-TST-ASING)	16,772,800	1.59
12.	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR MAHARANI LIMITED (PB)	16,014,600	1.52
13.	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR AJNA HOLDINGS LIMITED (PB)	12,825,000	1.22
14.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GOH YEN YEN (PB)	12,062,456	1.15
15.	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STANDARD CHARTERED BANK SINGAPORE BRANCH (BJSSSGBR-CL-FR)	11,601,750	1.10

THIRTY LARGEST SHAREHOLDERS

AS AT 27 SEPTEMBER 2023

No.	Name of Shareholders	No. of Shares	%
16.	MAYBANK NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR PRINCIPAL DALI EQUITY GROWTH FUND (UT-CIMB-DALI) (419455)	10,745,200	1.02
17.	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR KAREX ONE LIMITED (PB)	10,000,000	0.95
18.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ARSHAD BIN AYUB (MY1393)	9,250,000	0.88
19.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GOH MIAH KIAT (PB)	9,000,097	0.85
20.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH LENG KIAN	9,000,000	0.85
21.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB BANK BERHAD (EDP 2)	8,900,100	0.85
22.	AZLIN BINTI ARSHAD	6,557,500	0.62
23.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PERTUBUHAN KESELAMATAN SOSIAL (UOB AMM6939-406)	5,929,900	0.56
24.	TAN KOK CHOON	5,304,800	0.50
25.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ZALARAZ SDN BHD (MY3113)	5,200,000	0.49
26.	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH LENG KIAN	5,000,000	0.47
27.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN TECK SOON (E-SS2)	5,000,000	0.47
28.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND	4,926,900	0.47
29.	MAYBANK INVESTMENT BANK BERHAD IVT (10)	4,917,200	0.47
30.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LEEF)	4,778,200	0.45
	TOTAL	L 699,832,406	66.43

SHAREHOLDER'S INFORMATION KAREX BERHAD

NOTICE OF 11TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 11th Annual General Meeting ("11th AGM") of Karex Berhad ("Karex" or "Company") will be conducted on a virtual basis through live streaming and online remote voting using Remote Participation and Electronic Voting ("RPEV") facilities from the broadcast venue at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Monday, 27 November 2023 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 2023 together with the Reports of the Directors and the Auditors thereon.

(Refer to Explanatory Note (a))

2. To re-elect Dato' Dr. Ong Eng Long @ Ong Siew Chuan 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 Mr Goh Miah Kiat who is retiring in accordance with Clause 97 of the Company's Constitution, and being eligible, has offered himself for re-election.

(Ordinary Resolution 2)

4. To re-elect Dato' Edward Siew Mun Wai who is retiring in accordance with Clause 97 of the Company's Constitution, and being eligible, has offered himself for re-election.

(Ordinary Resolution 3)

5. To re-elect Mr Chew Fook Aun who is retiring in accordance with Clause 104 of the Company's Constitution, and being eligible, has offered himself for re-election.

(Ordinary Resolution 4)

6. To approve the payment of Directors' Fees of RM490,000 for the financial year ended 30 June 2023.

(Ordinary Resolution 5)

7. To approve the payment of Directors' remuneration (excluding Directors' Fees) and benefits payable to the Directors of the Company and its subsidiaries up to an amount of RM61,000 for the period from 1 December 2023 to 30 November 2024.

(Ordinary Resolution 6)

8. 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 7)

Special Business

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

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 ("Mandate").

NOTICE OF 11[™] ANNUAL GENERAL MEETING

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

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

(Ordinary Resolution 8)

10. Continuation in Office of Independent Non-Executive Director

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

(Ordinary Resolution 9)

11. 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 27th day of October 2023

SHAREHOLDER'S INFORMATION KAREX BERHAD

NOTICE OF 11TH ANNUAL GENERAL MEETING

Notes:

- 1) The Company will continue to leverage on technology to facilitate communications with its shareholders by conducting the 11th AGM on a virtual basis where shareholders are only allowed to participate remotely through live streaming and online remote voting using RPEV facilities via online meeting platform available at https://meeting.boardroomlimited.my. Please follow the procedures provided in the Administrative Details of the 11th AGM in order to register, participate (including pose questions) and vote remotely via the RPEV facilities.
- 2) In compliance with Section 327(2) of the Companies Act 2016, the Chairman shall be present at the main venue of the meeting in Malaysia and in accordance with Clause 59 of the Company's Constitution which allows a meeting of members to be held at more than one venue, using any technology or method that allows all Members of the Company to participate and exercise the members' right to participate and vote at the meeting. Shareholders, proxy(ies) and corporate representatives will not be allowed to be physically present nor enter the Broadcast Venue.
- 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 20 November 2023.

NOTICE OF 11[™] ANNUAL GENERAL MEETING

EXPLANATORY NOTES ON ORDINARY AND SPECIAL BUSINESS:

a) Item 1 of the Agenda

Audited Financial Statements for the financial year ended 30 June 2023

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) Ordinary Resolutions 1, 2, 3 & 4

Re-election of Directors who retire in accordance with Clause 97 and 104 of the Company's Constitution

No individual is seeking election as a Director at the forthcoming 11th AGM of the Company.

Pursuant to Clause 97 of the Constitution of the Company, Dato' Dr. Ong Eng Long @ Ong Siew Chuan, Mr Goh Miah Kiat and Dato' Edward Siew Mun Wai are standing for re-election as Directors of the Company and being eligible offered themselves for re-election at this 11th AGM of the Company. The profile of the retiring Directors are set out on pages 40, 47 and 42 respectively of the Annual Report. The Board through its Nomination Committee had assessed the retiring Directors, as detailed in the Corporate Governance Overview Statement on page 57 of the Annual Report.

Pursuant to Clause 104 of the Constitution of the Company, Mr Chew Fook Aun is standing for re-election as a Director of the Company and being eligible offered himself for re-election at this 11th AGM of the Company. The profile of the retiring Director is set out on page 43 of the Annual Report. The Board through its Nomination Committee had assessed the retiring Director, as detailed in the Corporate Governance Overview Statement on page 57 of the Annual Report.

c) Ordinary Resolutions 5 & 6

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 11th AGM for the payment of Directors' fees and benefits payable to the Directors in two (2) separate resolutions as below: -

- (i) Resolution 5 on the proposed Directors' fees of RM490,000 in respect of the financial year ended 30 June 2023;
- (ii) Resolution 6 on the payment of Directors' Benefits (excluding Directors' Fees) payable to the Directors of the Company and its subsidiaries up to an amount of RM61,000 for the period from 1 December 2023 to 30 November 2024. The benefits comprise the meeting allowance, which will only be accorded based on actual attendance of meetings by the Directors.
- d) Ordinary Resolution 8
 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 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.

NOTICE OF 11TH ANNUAL GENERAL MEETING

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.

This is also to approve the disapplication of statutory pre-emption rights under Section 85 of the Companies Act 2016, to allot new shares (or to grant rights over shares) without first offering them to the existing shareholders in proportion to their holdings pursuant to the general mandate.

e) Ordinary Resolution 9

Continuance in Office as an Independent Non-Executive Director - Dato' Dr. Ong Eng Long @ Ong Siew Chuan

The proposed Ordinary Resolution is subject to two-tier voting, if approved, will allow the named Director to remain as an Independent Director notwithstanding that he has served a cumulative term of more than nine years as an Independent Director.

The Board after the annual assessment of the independence of Dato' Dr. Ong Eng Long @ Ong Siew Chuan, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, had recommended him to continue to act as an Independent Non-Executive Director of the Company based on the following justifications:-

- He fulfilled the criteria under the definition of Independent Director as set out under Paragraph 1.01 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, he would be able to function as a check and balance and bring an element of objectivity to the Board;
- 2) He has cumulative knowledge of the Group's business and operations and has made and continue to make valuable contributions to the Group;
- 3) He has devoted sufficient time and attention to his professional obligations for informed and balanced decision making by actively participating in board discussions and provided an independent voice to the Board through his vast experience in various industries; and
- 4) He has exercised his due care during his tenure as an Independent Non-Executive Director of the Company and carried out his professional duties in the best interest of the Company and shareholders.

Form of Proxy

KAREX BERHAD

(Registration No. 201201034091 (1018579-U))

(Incorporated in Malaysia)

Number of Shares Held	
CDS Account No.	



I/We				
	o./Company No			
Telephone No	being a Mem	ber(s) of KAREX BERHAD (2012010)34091 (101857	9-U)), hereby appo
Full Name (in Block Let	ters)	NRIC/	No. of	% of
(First Proxy)		Passport No.	Shares	Shareholding
Email:	Contact			
	No.:			
And/or		NDIO/	NI C	0/ 5
Full Name (in Block Let (Second Proxy)	ters)	NRIC/ Passport No.	No. of Shares	% of Shareholding
	Contact			

or failing him/her, #THE CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us on *my/our behalf at the 11th Annual General Meeting ("11th AGM") of the Company to be conducted on a virtual basis through live-streaming and online remote voting using the Remote Participation and Electronic Voting ("RPEV") facilities from the broadcast venue at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Monday, 27 November 2023 at 10:00 a.m. or at any adjournment thereof and to vote as indicated below:

Ordi	nary Resolutions	For	Against
	Ordinary Business		
1.	To re-elect Dato' Dr. Ong Eng Long @ Ong Siew Chuan as a Director of the Company		
2.	To re-elect Mr Goh Miah Kiat as a Director of the Company		
3.	To re-elect Dato' Edward Siew Mun Wai as a Director of the Company		
4.	To re-elect Mr Chew Fook Aun as a Director of the Company		
5.	To approve the payment of Directors' Fees		
6.	To approve the payment of Directors' Remuneration (excluding Directors' Fees) and Benefits		
7.	To re-appoint Messrs KPMG PLT as Auditors of the Company		
	Special Business		
8.	To approve the Authority to Issue and Allot Shares		
9.	To approve the continuation in office of Independent Non-Executive Director, Dato' Dr. Ong Eng Long @ Ong Siew Chuan		

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	ap	plicable.
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Signed this	day of	2023	
			Signature/Common Seal of Shareholder

Notes

- The Company will continue leverage on technology to facilitate communications with its shareholders by conducting the 11th AGM on a virtual basis where shareholders are only allowed to participate remotely through live streaming and online remote voting using RPEV facilities via online meeting platform available at https://meeting.boardroomlimited.my. Please follow the procedures provided in the Administrative Details of the 11th AGM in order to register, participate (including pose questions) and vote remotely via the RPEV facilities.
- 2) In compliance with Section 327(2) of the Companies Act 2016, the Chairman shall be present at the main venue of the meeting in Malaysia and in accordance with Clause 59 of the Company's Constitution which allows a meeting of members to be held at more than one venue, using any technology or method that allows all Members of the Company to participate and exercise the members' right to participate and vote at the meeting. Shareholders, proxy(ies) and corporate representatives will not be allowed to be physically present nor enter the Broadcast Venue.
- 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.
- Shareholders/proxies/corporate representatives are encouraged to refer to the procedures set out in the Administrative Details in order to participate remotely.
- Date of Record of Depositors for the purpose of determining Members' entitlement to attend, vote and interact at the Annual General Meeting is 20 November 2023.

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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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