

Chairman's Statement

Tan Sri Dato' Seri Utama Arshad bin Ayub

**Chairman
Independent Non-Executive Director**

Dear Fellow Shareholders,

2019 has been a challenging year for the global economy, with subdued growth and high levels of volatility undermining consumer confidence in many parts of the world. The industry has been no exception with humanitarian aid budget constraints and e-commerce causing widespread change and disruption. Although challenging, these changes offer significant opportunities to companies that are able to adapt swiftly and who can tailor their offerings to evolving consumer preferences.



Proposing a final single-tier dividend of

1.0 SEN
PER SHARE

Revenue of

RM378.5M

During the year there was also a significant event that highlighted our commitment specifically as an organisation: a newspaper publication in the United Kingdom raised allegations regarding the unethical treatment of migrant workers in a number of Malaysian manufacturing facilities with Karex being named as one of them. Arising from this incident, the Board, whilst very concerned about the allegations have since come to be reassured by the total commitment of our CEO, MK Goh and his management team in how they have addressed these concerns and by the speed and vigour of their response.

Unfortunately, these allegations and resultant responses did have implications on our financial performance for the year. Our Group registered a revenue of RM378.5 million largely attributable to lower sales from condoms and personal lubricants as many customers had to await the completion of social audits arising from the allegations. Consequently, profit after tax was also lower at RM3.1 million



following the reduced sales volumes and higher costs incurred from conducting the social audits and the associated remediation measures.

I am delighted to have had the pleasure to welcome Professor Dato' Dr. Adeeba binti Kamarulzaman to the Board during the financial year. She brings on board a wealth of experience in the sexual wellness space having worked with various international organisations as a leading expert in HIV/AIDs. We are confident that her added perspective will contribute diversity and complement the existing Board's experience and expertise, allowing us to better assess and steer our Group moving forward.

Our Group ended the year with a strong cash balance of RM63.6 million, following payment of RM5.0 million of dividends in the prior year. Our Board has recommended a final single-tier dividend of 1.0 sen per share this year. If approved at our upcoming Annual General Meeting, the dividend will be paid to shareholders on 23 December 2019.

I am grateful to my fellow Board members, to our CEO and his management team, and to all of our colleagues for their continued hard work during this year that proved to be challenging yet rewarding. I remain optimistic about our organisation's development trajectory as it matures into a global sexual wellness solution provider and I am confident that in due course we will be able to deliver value to you, our shareholders. Thank you for your continued support.

Tan Sri Dato' Seri Utama Arshad bin Ayub
Chairman