CHAIRMAN'S STATEMENT

" Karex delivered another set of record performance for FYE 2015, registering revenue of RM298.1 million and a profit after tax of RM59.7 million. This represents a modest revenue growth of 4.5% while profit after tax grew a commendable 32.2% over the preceding year. "

DEAR VALUED SHAREHOLDERS,

In our inaugural annual report last year, I predicted that the financial year ended ("FYE") 2015 will be an exciting year for the Karex Group ("Group"). This indeed was proven to be true, as I am pleased to present to you another successful year for our Company.

RM298.1 MILLION
REVENUE

TAN SRI DATO' SERI UTAMA ARSHAD BIN AYUB
CHAIRMAN / INDEPENDENT NON-EXECUTIVE DIRECTOR

CHAIRMAN'S STATEMENT

Karex delivered another set of record performance for FYE 2015, registering revenue of RM298.1 million and a profit after tax of RM59.7 million. This represents a modest revenue growth of 4.5% while profit after tax grew a commendable 32.2% over the preceding year. The prevailing low latex price, the strengthening of US Dollar against Ringgit Malaysia and sale of higher margin products continue to increase our profit margins for FYE 2015.

In terms of operations, we are completing our capacity expansion to 5.0 billion pieces from 4.0 billion pieces previously. The additional capacity was installed at our new green building plant in Hatyai, Thailand. We expect the full commission of the dipping production lines very soon.

Our company continues to grow a healthy cash and cash equivalent of RM207.7 million, from RM85.6 million the year before. This was mainly attributed to the private placement exercise as well as growing net operating cash flow of the Group. Gearing ratio improved significantly from 0.10x in FYE 2014 to 0.05x for FYE 2015. As with the previous reporting period, Karex is in a net cash position as at 30 June 2015.

NET ASSET PER SHARE GREW 18.2% OVER THE SAME PERIOD FROM 55.0 SEN TO 65.0 SEN

During FYE 2015, we have completed a couple of corporate exercises. I have mentioned earlier a private placement exercise, which was completed in March 2015, that raised RM158.0 million for the Group's expansion and acquisition plans. Also completed in April 2015 was a bonus issue exercise to reward shareholders on a 1:2 basis. A total of 40,500,000 shares were issued pursuant to the private placement exercise and another 222,750,000 shares issued for the bonus issue. The total enlarged shares issued as at 30 June 2015 are 668,250,000 shares.

We have announced on 12 August 2015 the acquisition of Medical-Latex (DUA) Sdn Bhd ("MLD") for a purchase price of RM13.0 million. MLD is an established condom manufacturer with over 28 years track record in Johor Bahru. The company is accredited and licensed by several accreditation and international standard agencies globally. Simultaneously with the acquisition, we have also announced that MLD will enter into a long term supply with the vendor of MLD, Beiersdorf AG ("Beiersdorf") to supply condoms to Beiersdorf under their "DUO" and "Harmony" brands. Beiersdorf has agreed to grant Karex the first right of refusal to purchase the said brands should Beiersdorf wish to sell in the future. We have now completed the acquisition on 13 October 2015.

As at 30 June 2015, earnings per share grew 21.1% to 9.51 sen from 7.85 sen previously. Net Asset per share grew 18.2% over the same period from 55.0 sen to 65.0 sen. The Board is therefore pleased to propose a final single tier dividend of 2.5 sen per share for FYE 2015 subject to the approval of shareholders at the forthcoming 3rd Annual General Meeting.

In closing, I would like to thank all employees of the Group for another record setting performance. I would also like to express my gratitude to my fellow Board members for their contribution through their invaluable experience and expertise. On behalf of the Board, I congratulate our CEO MK Goh for his sterling performance for the financial year 2015 and lastly, I hope all shareholders will continue placing your trust and faith in Karex as we embark on another exciting journey in 2016.