

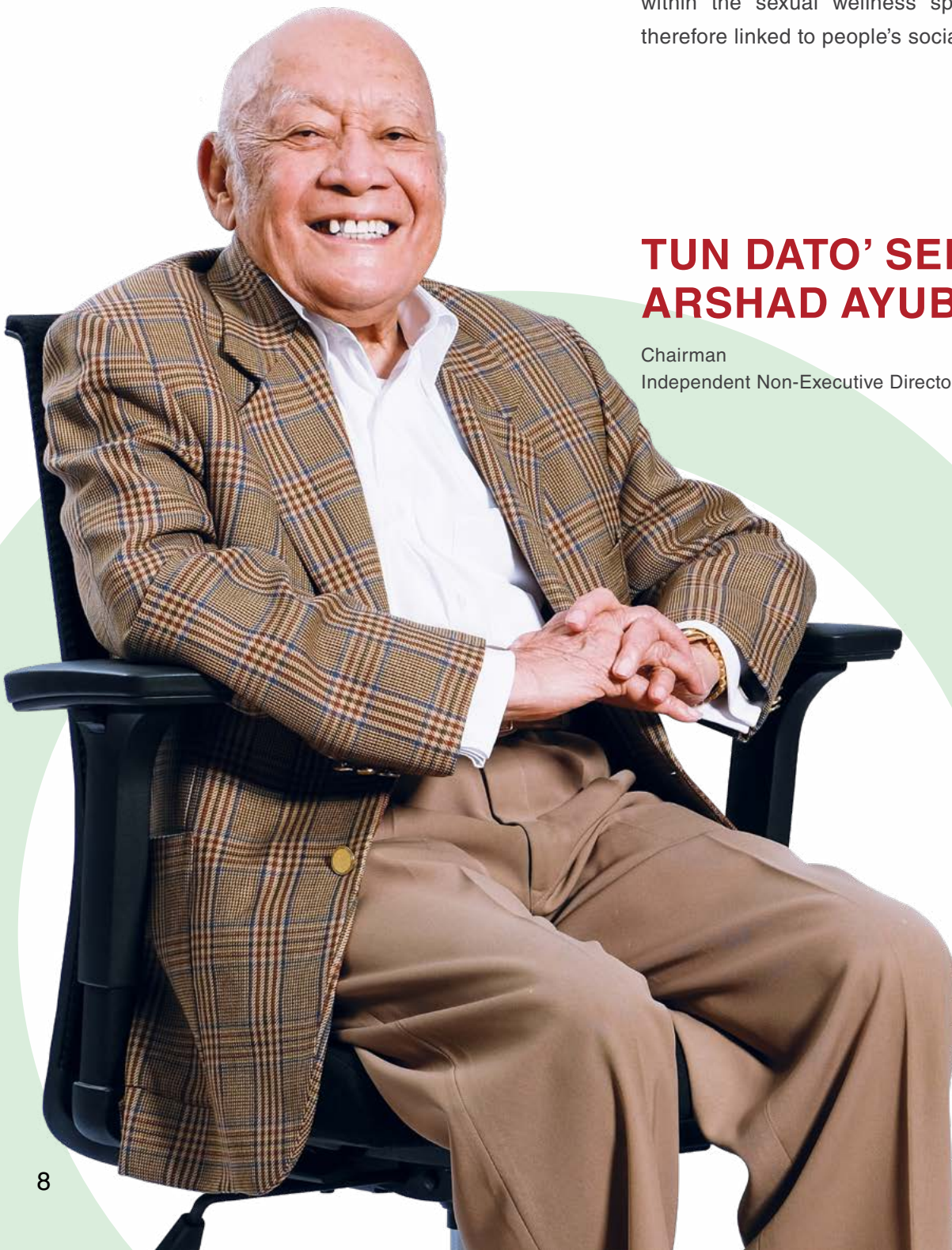
Chairman's Statement

DEAR FELLOW SHAREHOLDERS,

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

TUN DATO' SERI ARSHAD AYUB

Chairman
Independent Non-Executive Director



Chairman's Statement

▲ 6%

Revenue

RM419.8M

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

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

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

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

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

Tun Dato' Seri Arshad Ayub
Chairman