



KYM HOLDINGS BHD.

(Co. No.: 84303-A)

Annual Report 2017

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 35th Annual General Meeting of KYM Holdings Bhd. will be held at the Company's Office at No. 12 Lorong Medan Tuanku Satu 50300 Kuala Lumpur on Wednesday, 5 July 2017 at 11.00 a.m. for the following purposes:-

1. To receive the Financial Statements for the financial year ended 31 January 2017 together with the Reports of the Directors and Auditors thereon. (NOTE 1)
2. To approve the payment of Directors' Fees of RM104,000 for financial year ended 31 January 2017 and the payment of Directors' benefits (excluding Directors' Fee) to Non-Executive Director of up to an amount of RM28,700 from 1 February 2017 until the next Annual General Meeting of the Company. (RESOLUTION 1)
3. To re-elect the following Directors retiring in accordance with the Company's Constitution:
 - i. Dato' Seri Dr. Isahak Bin Yeop Mohamad Shar (Article 103) (RESOLUTION 2)
 - ii. Datuk Wira Rahadian Mahmud Bin Mohammad Khalil (Article 103) (RESOLUTION 3)
 - iii. Mr Lim Tze Thean (Article 94) (RESOLUTION 4)
4. To re-appoint Messrs Crowe Horwath as Auditors of the Company and to authorise the Directors to fix their remuneration. (RESOLUTION 5)
5. As Special Business, to consider and if thought fit, pass with or without any modification, the following resolutions:

Authority To Allot And Issue Shares Pursuant To Sections 75 and 76 of the Companies Act, 2016

"That pursuant to Sections 75 and 76 of the Companies Act, 2016, the Directors be and are hereby authorised to allot and issue shares in the Company at any time at such price and upon such terms and conditions and for such purposes and to such person or persons whomever as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.

And that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad." (RESOLUTION 6)

Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

"That, subject always to the Listing Requirements of Bursa Malaysia Securities Berhad, the shareholders' mandate for the recurrent related party transactions of a revenue or trading nature as approved by the shareholders of the Company on 29 June 2016 authorising the Company and its subsidiaries ("KYM Group") to enter into any of the recurrent transactions of a revenue or trading nature of the Group as set out in Section 2.2 of the Circular to Shareholders dated 30 May 2017 with the related party mentioned therein which are necessary for the day-to-day operations of the KYM Group be and is hereby renewed provided that the transaction are in the ordinary course of business, at arms' length basis and are on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not detrimental to the minority shareholders of the Company and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year.

And that such approval conferred shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming AGM at which such Proposed Shareholders' Mandate passed, at which time it will lapse, unless by a resolution passed at such general meeting whereby the authority is renewed; or
- (ii) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act, 2016 (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Companies Act, 2016); or
- (iii) revoked or varied by resolution passed by the shareholders in a general meeting.

NOTICE OF ANNUAL GENERAL MEETING

(CONT'D)

whichever is earlier,

And that the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary in the best interest of the Company (including executing all such documents as may be required) to give effect to the Proposed Shareholders' Mandate.”

(RESOLUTION 7)

Retention of Independent Non-Executive Directors

“That approval be and is hereby given to the following Directors to continue to act as an Independent Non-Executive Director of the Company.”

- i. Datuk Wira Rahadian Mahmud Bin Mohammad Khalil
- ii. Dato' Seri Ir. Mohamad Othman Bin Zainal Azim
- iii. Dato' Mohd Azmi Bin Othman

(RESOLUTION 8)

(RESOLUTION 9)

(RESOLUTION 10)

- 6. To transact any other matter of which due notice shall have been given in accordance with the Company's Constitution and the Companies Act, 2016.

By Order of the Board

CHEE MIN ER
(MAICSA 7016822)
Secretary

Kuala Lumpur

30 May 2017

Notes:-

- 1. A member entitled to attend and vote at the meeting is entitled to attend and vote in person or by proxy or by attorney or by duly authorised representative. A proxy or an attorney or a duly authorised representative need not be a member of the Company.
- 2. Save for an exempt authorised nominee as defined in the under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the company for multiple beneficial owners in one securities account (“omnibus account”), a Member (including an authorised nominee) shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, he shall specify in the instrument appointing the proxies, the proportion of his shareholdings to be represented by each proxy.
- 3. If the Form of Proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
- 4. The power of attorney or a certified copy thereof or the instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing. If the appointer is a corporation, it must be executed under its seal or in the manner authorised by its constitution.
- 5. Only members registered in the Record of Depositors on or before 5.00 p.m. as at 29 June 2017 shall be eligible to attend the meeting or appoint a proxy to attend and/or vote on such depositor's behalf.
- 6. The instrument appointing a proxy together with the power of attorney (if any) under which it is signed or a duly certified copy thereof must be deposited at the Registered Office, No. 12 Lorong Medan Tuanku Satu 50300 Kuala Lumpur at least 48 hours before the time appointed for holding the Meeting or any adjournment thereof, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll.

NOTICE OF ANNUAL GENERAL MEETING

(CONT'D)

Explanatory Notes to the Agenda:

1. The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act, 2016 for discussion only. As such, this item is not a business which requires a resolution to be put to vote by shareholders.

2. Authority To Allot And Issue Shares Pursuant To Sections 75 and 76 of the Companies Act, 2016

The proposed resolution 6, if approved, will authorise the Directors to issue shares (other than bonus or rights issue) in the Company up to an aggregate amount of not exceeding 10% of the issued capital of the Company without convening a general meeting. The approval is sought to avoid any delay and costs involved in convening a general meeting for such issuance of shares. The authority will expire at the next Annual General Meeting of the Company.

As at the date of Notice, no shares were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 29 June 2016 which will lapse at the conclusion of the 35th Annual General Meeting.

The purpose of the renewal of general mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions and/or as consideration for acquisitions.

3. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed resolution 7, if approved, will authorise KYM Group to continue entering into any of the categories of recurrent related party transactions of a revenue or trading nature with related parties, particulars of which are set out in Section 2.2 of the Circular to Shareholders dated 30 May 2017 circulated together with this Annual Report. These authorities, unless revoked or varied by the Company at a general meeting will expire at the next Annual General Meeting of the Company.

4. Retention of Independent Non-Executive Directors

The Nomination & Remuneration Committee and the Board have recommended the three (3) Non-Executive Directors to continue to act as an Independent Non-Executive Director based on the following justifications:

- (a) They have fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirement of Bursa Securities and other criteria recommended by the Corporate Governance guide, and thus, they are able to provide check and balance and bring an element of objectivity to the Board;
- (b) They have vast experience in a diverse range of businesses and therefore would be able to provide constructive opinion, exercise independent judgement and have the ability to act in the best interest of the Company;
- (c) They have devoted sufficient time and attention to their professional obligations for informed and balanced decision making;
- (d) They have continued to exercise independence and due care during their tenure as an Independent Non-Executive Director of the Company and carried out their professional duties in the best interest of the Company; and
- (e) They have shown great integrity of independence and had not entered into any related party transaction with the Company.

BOARD OF DIRECTORS

Dato' Seri Dr. Isahak Bin Yeop Mohamad Shar
Non-Independent Non-Executive Chairman

Dato' Lim Kheng Yew
Executive Director

Dato' Seri Ir. Mohamad Othman Bin Zainal Azim
Independent Non-Executive Director

Datuk' Wira Rahadian Mahmud Bin Mohammad Khalil
Independent Non-Executive Director

Dato' Mohd Azmi Bin Othman
Independent Non-Executive Director

Lee Ji Jin Darren
Non-Independent Non-Executive Director

Lim Tze Thean (Appointed on 30 March 2017)
Executive Director / Chief Executive Officer

SECRETARY

Chee Min Er (MA/CSA 7016822)

AUDIT COMMITTEE

Dato' Seri Ir. Mohamad Othman Bin Zainal Azim (*Chairman*)
Dato' Mohd Azmi Bin Othman
Lee Ji Jin Darren

NOMINATION & REMUNERATION COMMITTEE

Dato' Seri Dr. Isahak Bin Yeop Mohamad Shar (*Chairman*)
Dato' Seri Ir. Mohamad Othman Bin Zainal Azim
Dato' Mohd Azmi Bin Othman

OPTION COMMITTEE

Dato' Seri Ir. Mohamad Othman Bin Zainal Azim (*Chairman*)
Dato' Lim Kheng Yew

REGISTERED OFFICE

12 Lorong Medan Tuanku Satu
50300 Kuala Lumpur
Tel No.: 03-2692 2923
Fax No.: 03-2692 8382

AUDITORS

Crowe Horwath
Chartered Accountants
Level 16 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur

PRINCIPAL BANKERS

CIMB Bank Berhad
Public Bank Berhad
AmBank (M) Berhad
Malayan Banking Berhad

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301, Petaling Jaya
Selangor
Tel No.: 03-7841 8000
Fax No.: 03-7841 8008

WEBSITE

www.kym.com.my

PROFILE OF DIRECTORS

DATO' SERI DR. ISAHAK BIN YEOP MOHAMAD SHAR
*Non-Independent
Non-Executive Chairman
Malaysian*

Dato' Seri Dr. Isahak Bin Yeop Mohamad Shar, aged 68, was appointed to the Board of KYM Holdings Bhd. on 2 October 2006. He was the Chief Executive Officer and Executive Chairman of KYM from 2006 to 2013 before he re-designated to his current position on 1 August 2014. Dato' Seri Dr. Isahak is the Chairman of the Nomination & Remuneration Committee.

He graduated from University of Malaya in Bachelor of Arts (Sociology) in 1973 and received his Masters and Doctorate of Philosophy in Public Administration from University of Southern California in 1978 and 1990 respectively.

He began his career as a lecturer with the National Institute of Public Administration (INTAN) from 1974 to 1977. He was in the Public Service Department (PSD) for 10 years as a lecturer and subsequently as Service Division Assistant Director. He was with the State Government of Perak from 1995 to 2004. Dato' Seri Dr. Isahak was the Secretary General for the Ministry of Natural Resources and Environment from 2004 to 2006. He was formerly the President of Integrity Institute of Malaysia (IIM).

He has no family relationship with any other Director and/or major shareholder of the Company and does not hold any shares in the Company and subsidiary companies. He has not entered into any transaction, whether directly or indirectly, has a conflict of interest with the Company. He has not been convicted for any offences within the past 10 years other than traffic offences.

DATO' LIM KHENG YEW
*Executive Director
Malaysian*

Dato' Lim Kheng Yew, age 65, was appointed to the Board on 12 August 1992.

Dato' Lim Kheng Yew is a Fellow Member of the Institute of Chartered Accountants in England and Wales. He started his career with international accounting firms in London then Kuala Lumpur. Subsequently, he was attached to a leading merchant bank in Kuala Lumpur. At present, he is also a Director of TSM Global Berhad.

Dato' Lim Kheng Yew is a substantial shareholder of the Company. His shareholding in the Company is set out in Page 109 of this Annual Report. He is the father of Mr Lim Tze Thean, an Executive Director and CEO of the Company. His relationship with other substantial shareholders is set out in Page 108 of this Annual Report. He has no family relationship with any other Directors of the Company.

Save for the recurrent related party transactions as disclosed in this Annual Report, he has not entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company. He has not been convicted for any offences within the past 10 years other than traffic offences.

PROFILE OF DIRECTORS (CONT'D)

**DATO' SERI IR. MOHAMAD
OTHMAN BIN ZAINAL AZIM**
*Independent
Non-Executive Director
Malaysian*

Dato' Seri Ir. Mohamad Othman Bin Zainal Azim, aged 62, was appointed to the Board of KYM on 12 February 2007. He is the Chairman of the Audit Committee and a member of the Nomination & Remuneration Committee of the Company.

Dato' Seri Ir. Mohamad Othman graduated with Bachelor of Science (Hons) in Civil Engineering from University of Southampton, United Kingdom. He received his Master of Science in Engineering from University of Birmingham, United Kingdom in 1987.

He began his career as an engineer with the Government Public Works Department Headquarters in Kuala Lumpur, Negeri Sembilan and Perak until 2000. He was formerly the Chief Executive Officer of Putrajaya Holdings Sdn Bhd, a developer of Federal Government Administrative Centre, Putrajaya and the largest urban development project in the country. Dato' Seri Ir. Mohamad Othman is also the Chief Operating Officer of the Project Monitoring Unit (PMU) in the Ministry of Finance.

He has no family relationship with any other Director and/or major shareholder of the Company and does not hold any shares in the Company and subsidiary companies. He has not entered into any transaction, whether directly or indirectly, has a conflict of interest with the Company. He has not been convicted for any offences within the past 10 years other than traffic offences.

**DATUK WIRA RAHADIAN
MAHMUD BIN MOHAMMAD
KHALIL**
*Independent
Non-Executive Director
Malaysian*

Datuk Wira Rahadian Mahmud Bin Mohammad Khalil, aged 43, was appointed to the Board of KYM on 2 October 2006. He is the Executive Chairman of Permaju Industries Berhad and Managing Director of Magna Prima Berhad. He also sits on the Board of Sanbumi Holdings Berhad and AppAsia Berhad.

Datuk Wira Rahadian Mahmud is involved mainly in the business of reforestation and in the construction and manufacturing sectors.

He has no family relationship with any other Director and/or major shareholder of the Company and does not hold any shares in the Company and subsidiary companies. He has not entered into any transaction, whether directly or indirectly, has a conflict of interest with the Company. He has not been convicted for any offences within the past 10 years other than traffic offences.

PROFILE OF DIRECTORS (CONT'D)

**DATO' MOHD AZMI BIN
OTHMAN**
*Independent
Non-Executive Director
Malaysian*

Dato' Mohd Azmi Bin Othman, aged 49, was appointed to the Board of KYM on 12 February 2007. He is also a member of the Audit Committee and the Nomination & Remuneration Committee of the Company. Dato' Mohd Azmi Bin Othman also sits on the Board of Majuperak Holdings Berhad.

He graduated with Bachelor of Laws (LL.B) from Universiti Teknologi MARA. He is the founder and principal partner of a legal firm based in Ipoh, Perak and a senior member of the Bar Council Malaysia, sitting as a Disciplinary Committee member of the Bar Council.

He has no family relationship with any other Director and/or major shareholder of the Company. His shareholding in the Company is set out in Page 109 of this Annual Report. He has not entered into any transaction, whether directly or indirectly, has a conflict of interest with the Company. He has not been convicted for any offences within the past 10 years other than traffic offences.

LEE JI JIN DARREN
*Non-Independent
Non-Executive Director
Malaysian*

Mr Lee Ji Jin Darren, aged 34, was appointed to the Board of KYM on 25 September 2014. He is also a member of the Audit Committee.

Mr Darren Lee completed his professional accountancy qualification in 2003 conferred by The Association of Chartered Certified Accountants, United Kingdom (ACCA) and currently is a fellow member of the said Association.

He started his career in early 2003 as an Audit associate with Ernst & Young Malaysia and subsequently extended his international experience with Ernst & Young in the United Kingdom.

End of 2005, he joined the Deloitte office in Bermuda as Manager whereby he managed the entire audit process and advisory services for a portfolio of clients within the financial services industry specialising in investment management and reinsurance companies. He was also actively involved with Deloitte's internal and external valuation teams in the valuation of investment derivatives.

In 2009, he joined TSM Global Berhad (TSM) as Senior Manager in the Corporate Affairs Division and subsequently promoted to Head of Investment which duties include the assessment and valuation of potential investment, acquisition of companies, M&A synergization studies, relationship maintenance, new business initiatives, investor relations, due diligence, fund raising, capital assessment and strategy initiatives of the TSM group.

He has no family relationship with any other Director and/or major shareholder of the Company. His shareholding in the Company is set out in Page 109 of this Annual Report. He has not entered into any transaction, whether directly or indirectly, has a conflict of interest with the Company. He has not been convicted for any offences within the past 10 years other than traffic offences.

PROFILE OF DIRECTORS (CONT'D)

LIM TZE THEAN
*Executive Director /
Chief Executive Officer
Malaysian*

Lim Tze Thean, aged 38, was appointed as an Executive Officer of the KYM Group in 2012 and promoted to Chief Executive Officer on 20 May 2013. He was appointed to the Board of KYM Holdings Bhd. on 30 March 2017.

He graduated from King's College, University of London with a BSc (Hons) in Computer Science with Management.

He has been with the KYM Group of Companies since 2001 and has held several senior positions in the Group as well as its subsidiaries in both the KYM Properties Division and the KYM Manufacturing Division. He also serves as an Executive Director of TSM Global Berhad and its subsidiaries where he has worked for more than ten years focusing on Malaysia's automotive and precision manufacturing industries.

He is the son of Dato' Lim Kheng Yew, the Executive Director and a substantial shareholder of KYM. Mr Lim Tze Thean is a substantial shareholder of KYM. His interest in the securities of KYM is set out in Page 108 of this Annual Report.

Save for the recurrent related party transactions as disclosed in this Annual Report, he has not entered into any transaction, whether directly or indirectly, has a conflict of interest with the Company. He has not been convicted for any offences within the past 10 years other than traffic offences.

PROFILE OF KEY SENIOR MANAGEMENT

DATO' LIM KHENG YEW
Executive Director
Malaysian
Age / Gender: 65 / Male

His profile is set out in Profile of Directors on page 6.

LIM TZE THEAN
Executive Director / Chief Executive Officer
Malaysian
Age / Gender: 38 / Male

His profile is set out in Profile of Directors on page 9.

MOK TUCK MENG
Managing Director, Multiwall Industrial Paper Bags Division
Malaysian
Age / Gender: 51 / Male

Mok Tuck Meng graduated with B.Sc (Hons) in Mathematical Sciences and Management Studies from University Science Malaysia, Penang. He joined KYM Group in May 1990 and has held several positions as Executive in KYM Group. He was transferred to start the industrial bags business in June 1991 and was promoted to General Manager of the Multiwall Industrial Bags Division in May 1999.

He was appointed as the Managing Director of Hasrat Meranti Sdn. Bhd. in 2012.

LIM KHENG ENG
Managing Director, Corrugated Carton Division
Malaysian
Aged / Gender: 59 / Male

Lim Kheng Eng started his career in Corrugated Carton Division in 1986 and worked through the ranks before he was promoted to General Manager for Corrugated Carton Division, Klang Valley on 10 September 1998. He was appointed as the Managing Director of KYM Industries (M) Sdn. Bhd. in 2014.

Lim Kheng Eng is a brother of Dato' Lim Kheng Yew, an Executive Director and a major shareholder of the Company.

Except as otherwise stated in the individual Profile of Directors and Profile of Key Senior Management, none of the Key Senior Management Officers has: -

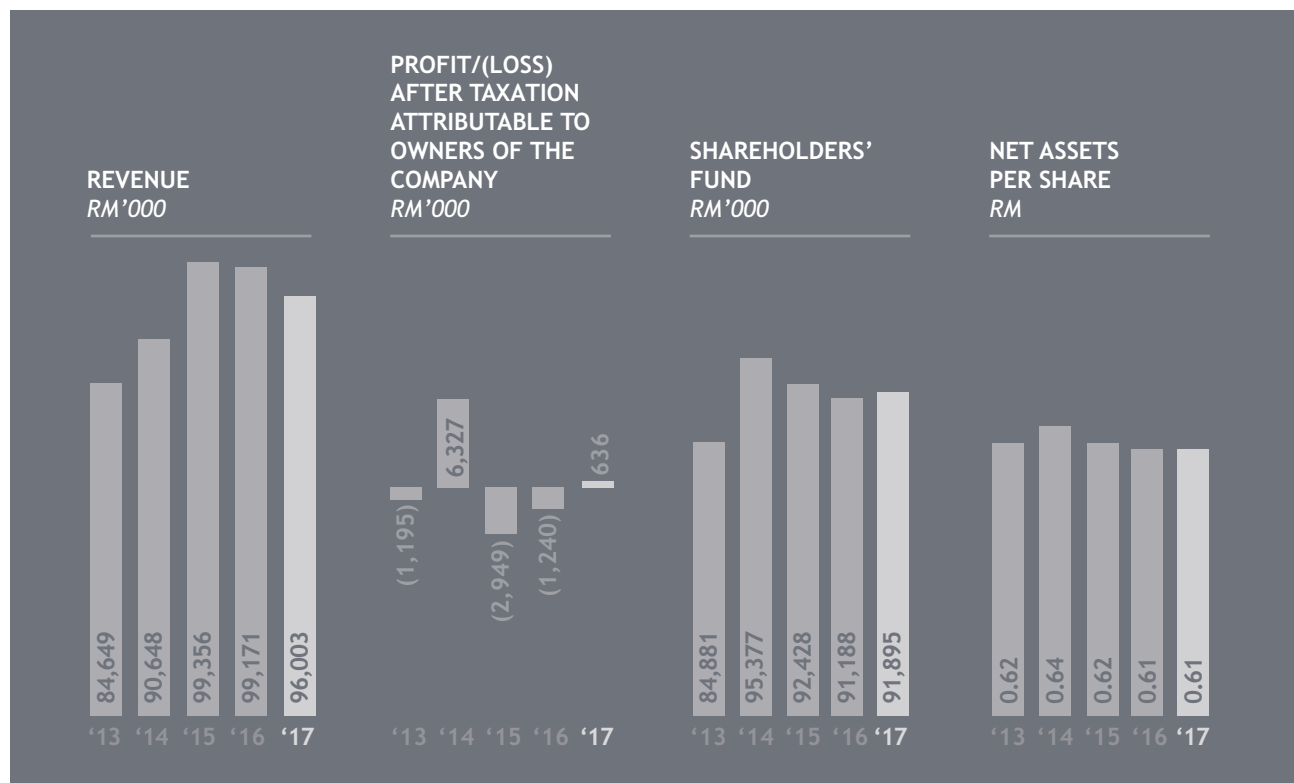
1. any other directorship in public companies and listed issuers;
2. any family relationship with any director and/or major shareholder of the Company;
3. been convicted of any offences (excluding traffic offences) within the past 5 years; and
4. been subjected to any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

5-YEAR FINANCIAL HIGHLIGHTS

	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000	
Revenue	96,003	99,171	99,356	90,648	84,649	
Profit/(Loss) Before Tax	660	(2,177)	(3,367)	13,035	1,393	
Profit/(Loss) After Tax	635	(1,240)	(2,949)	4,333	(1,565)	
Profit/(Loss) After Taxation Attributable to Owners of the Company	636	(1,240)	(2,949)	6,327	(1,195)	
Issued share capital ('000)	149,890	149,890	149,890	149,890	137,166	
Paid up capital	110,381	74,945	74,945	74,945	68,583	
Shareholders' Fund	91,895	91,188	92,428	95,377	84,881	
Total Assets	149,437	155,128	178,194	166,318	163,272	
Total Borrowing	25,102	32,455	42,087	40,946	44,394	
Debt/Equity	%	27%	36%	46%	43%	52%
Basic Earning/(Loss) Per Share						
Attributable to Shareholders	sen	0.42	(0.83)	(1.97)	4.24	(0.97)
Net Assets Per Share	RM	0.61	0.61	0.62	0.64	0.62

Notes:

Due to the implementation of the Companies Act, 2016 effective from 31 January 2017, the credit of the Company's share premium account has become part of the share capital.



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

KYM Group is a specialist in the manufacture and sale of high-quality multi-wall industrial paper sacks and corrugated carton boxes. The manufacturing facilities for multi-wall industrial paper sacks are located at Chemor and Tapah, Perak while the carton box converting facility is located at Beranang, Selangor.

Our group produces high-quality products for an international clientele. Industry-leading international certifications anchor our production lines, ensuring that each and every one of the products that roll out from our factories are made to exacting international standards. Today, KYM through its subsidiaries has a market share of 40% of the cement packaging market in Peninsular Malaysia and exports to various countries in South East Asia. We supply quality bags to the leading cement manufacturers in Peninsular Malaysia.

KYM Group's business objective is to make the best possible products for our customers using the best materials, in the best manner using the best technology and equipment with the best people.

Our commitment to excellence is embedded through:

- **Technology**

Large capital outlay in cutting-edge machinery from Windmoller & Holscher ("W&H"), a leading global manufacturer of state-of-the-art packaging machinery and systems, ensures that we roll out products of exceptional quality, as well as deliver them efficiently, reliably and in a timely manner.

- **Quality**

Having in-house Quality Assurance teams to ensure the most stringent quality controls and checks have earned us the coveted ISO 9001 certification. We focus on QCC activities to ensure delivery of consistent excellent quality products and services to our customers as well as to maintain our leadership position in the market.

- **Our People**

All our 250 employees are highly experienced and proficient in the company's systems, processes and machinery, ensuring a steady track record of efficiency, quality and productivity.

We continue to invest heavily in staff training at home and abroad, fully aware that our continued success hinges on a skilled, motivated and fully trained staff force that continuously achieves high productivity and efficiency levels over the long term.

FINANCIAL RESULTS AND FINANCIAL CONDITION

Despite 2016 having been a challenging year, primarily due to the volatility of the Ringgit Malaysia against the EURO and US Dollar and global economic uncertainty, the Group has returned to the black with a profit before tax of RM0.7 million for FYE 2017.

	2017 RM'000	2016 RM'000	Y-O-Y RM'000	%
Revenue	96,003	99,171	(3,168)	(3.2)
Gross Profit	10,842	10,073	769	7.6
Profit/(Loss) Before Tax ("PBT" or "LBT")	660	(2,177)	2,837	130.3
Finance Costs	1,659	2,398	(739)	(30.8)
Profit/(Loss) After Tax ("PAT" or "LAT")	635	(1,240)	1,875	151.2
Shareholders' Fund	91,895	91,188	707	0.8
Total Assets	149,437	155,128	(5,691)	(3.7)
Borrowings	25,102	32,455	(7,353)	(22.7)
Debt/Equity (%)	27%	36%		
Earnings/(Loss) Per Share	0.42	(0.83)		
Net Assets Per Share	0.61	0.61		

MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

Revenue

Total revenue for the year was RM96 million, a 3.2% drop from RM99.2 million recorded in the previous financial year. The Group's revenue of RM96 million is fully contributed by the manufacturing segment.

Segment revenue based on geographical location of customers:

Geographical Information	2017		2016		Variance %
	RM'000	%	RM'000	%	
Malaysia	77,932	81.2%	78,400	79.1%	(0.6%)
Export	18,071	18.8%	20,771	20.9%	(13.0%)
	96,003	100.0%	99,171	100.0%	

The industrial bags division recorded an approximately 5% growth y-o-y but the increase was set-off by the lower revenue of about RM6.5 million from the carton box division. Sales from the carton box division reduced after the operational restructuring exercise. The steady growth in the industrial bags products was driven by the local construction sector and higher export sales. The construction sector grew at 5.1% during the fourth quarter of 2016 mainly held by civil engineering activities. As a result of the increase in sales volume especially the cement packaging products, the Tapah plant is now operating at full capacity.

Export sales accounted for 18.8% of the Group's total revenue, a 13% decrease as compared to the previous year. These export sales are denominated in USD. The increase in selling price coupled with the favourable foreign exchange movement of USD against Ringgit Malaysia has also contributed to higher turnover to the industrial bags division. This also provided the Group with sufficient foreign currency to match the import of major raw materials.

Profit Before Tax ("PBT")

Despite decrease in total revenue, the Group's PBT increased by 130.3% to about RM0.7 million for the current year, from a Loss Before Tax ("LBT") of RM2.2 million in FYE 2016. The increase was mainly contributed by the manufacturing segment and reduction of losses in other segment.

- a. The restructuring of the corrugated carton box division resulted in operational changes and reduction of headcount to adapt to change in the business environment. Despite the Group incurred a one-off cost of RM1 million on the said restructuring exercise, the manufacturing segment reported PBT of RM0.7 million FYE 2017 compared to LBT of RM2.2 million FYE 2016. This was mainly due to the higher sales of industrial bags products and reduction in the monthly production overhead in corrugated carton box division.
- b. Gross profit margin increased by 7.6% from RM10.1 million or 10.2% to RM10.8 million or 11.3% in FYE 2017 due to improved capacity utilisation of the industrial bags division, on-going production improvement activities carried out by the Group, tighter cost control and favourable export selling price due to strengthening of USD or SGD.
- c. The volatility of the Ringgit Malaysia against the EURO and USD did not have material effect to the Group's earnings as anticipated, due primarily to the following:
 - As a result of the change of business model for carton box business, we ceased import of paper rolls and instead sourced paper boards from local. This eliminated unpredictable foreign currency fluctuation.
 - The export sales benefited from the weakening of Ringgit Malaysia against USD has helped to mitigate the effect of the increase in cost of imported raw materials.
- d. Total finance cost reduced by RM0.7 million from RM2.4 million in the previous year to RM1.7 million in the current year. The reduction in interest cost incurred on term loans was due to the continuous repayment of bank borrowings. Total borrowings reduced by 23% from approximately RM32 million to RM25 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Net Profits

The Group's profits after tax recorded at RM0.6 million compared to LAT of RM1.2 million in FYE 2016.

Trade Receivables

Trade receivables reduced by 16% to RM18.5 million and debtor's turnover period improved from 81 days to 70 days as a result of better control on collection during the financial year.

Other Receivables

Other receivables increased by about RM4.6 million during the financial year, due mainly to the 20% down payment for the new cement line amounted to RM4.5 million.

Short-term Investment

The Group's short-term investment reduced by 77% to RM1.2 million from RM5 million. This was primarily due to the utilisation of the funds for the repayment of bank borrowings.

REVIEW OF OPERATING ACTIVITIES

The corrugated carton industry in Malaysia is highly fragmented and has been very competitive. Besides the integrated paper and packaging manufacturers who also own paper mills, there are many corrugated cartons manufacturers and converters who source paper boards from corrugated carton manufacturers and supply carton boxes to their customers. During the financial year, we had restructured the operational process whereby we ceased the corrugating process which has been inefficient due to the aging equipment. We changed the business model of our carton box division to be a converter which allows us to a limitless range of product options. The Group implemented a sales enhancement program to widen its reach to other industries while increasing its market share in the existing food & beverages industry, electronic & electrical industry and plastic industry. Due to the low margin nature of the industry, the Group continues its ongoing improvement activities to reduce wastage and better utilisation of capacity to remain competitive.

The Group is exposed to foreign currency risk on sales and purchase transactions and balances that are denominated in foreign currencies. The currencies giving rise to this risk are primarily USD, EURO and Singapore Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the next exposure is at an acceptable level. The weakening of Ringgit against major currencies has increased the cost of imported paper rolls. However, with exports accounting to 18.8% of the Group's turnover, the Group was able to cushion the impact of the rising cost and reduce its foreign exchange exposure.

The industrial bags segment benefited from the domestic economic activities especially the growth momentum of the construction sector, albeit at a slower pace. Nevertheless, we diversified our products to non-cement bags for domestic markets and to export markets.

We supply multiwall industrial bags to Singapore, Thailand and other markets in the ASEAN region.

Country	2017		2016		Variance
	RM'000	%	RM'000	%	%
Singapore	13,290	13.8%	9,082	9.2%	46.3%
Mauritius	39	0.0%	625	0.6%	(93.8%)
Thailand	4,456	4.6%	10,494	10.6%	(57.5%)
Philippines	7	0.0%	104	0.1%	(93.3%)
Indonesia	-	-	461	0.1%	(100.0%)
Hong Kong	279	0.3%	5	0.0%	5,480.0%

Total export sales declined by about 13% during the financial year, mainly attributable to the substantial drop in export sales to Thailand due to stiff competition from the competitors in Thailand for market share. However, the shortfall in the export sales to Thailand was compensated by the increase in export sales to Singapore for supply to the cement manufacturer based in Indonesia.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

MODERNISATION OF THE PRODUCTION FACILITIES

We continue our focus on Product Quality through the use of state-of-the-art technology and processes with a focus on the development of our human capital.

In January 2017, we invested in additional state-of-the-art machines for the production of industrial paper sacks from Windmoeller & Hoelscher (“W&H”), Germany specifically catering to the needs of the Asian cement market. Furthermore as part of the expansion, the Group will be enlarging and upgrading its existing facilities in Tapah, Perak. The RM23 million expansion project will be funded by internal generated funds and bank borrowing.

DIVIDEND POLICY

At present, the Group’s focus is to create and enhance shareholders’ value in the long run. We shall re-invest the earnings to grow our business organically or inorganically. As such, the Group does not adopt any dividend policy in the short term but will consider to distribute excess profits once we have stable earnings, after taking into consideration of the working capital requirements and planned capital expenditure in the future.

PROSPECTS

Moving forward, KYM Group will continue to focus on its core business i.e. manufacturing and sale of industrial paper packaging products and to grow its cement packaging business in the domestic and Southeast Asian markets.

The local construction sector is projected to grow 8.3% mainly supported by the commencement of large infrastructure projects¹. The 4 key drivers for construction sector are: (i) waterworks, (ii) rural connectivity, (iii) infrastructure and (iv) affordable housing.

Economic activities in ASEAN are anticipated to remain steady driven by strong private consumption and investment. The infrastructure spending of Indonesia is expected to grow around USD165 billion by 2025, with growth in public investment spending expected to grow around 7% per year. Spending in infrastructure in Philippines is expected to grow at around 10% a year in the next decade, reaching a total of USD27 billion by 2025. Growth is expected to be focused on manufacturing, transportation and communications and social infrastructure².

With the export contract with BillerudKorsnäs AB (“BillerudKorsnäs”), the world leading paper provider for the contract manufacture, sale and distribution of industrial sacks in Southeast Asia, we expect our export sales to increase by two fold in 2 years, upon commencement of operations of the new cement line in 2018. We expect the total revenue and profitability in 2019 to increase.

¹ Source: Economic Report 2016/2017 issued by Ministry of Finance

² Source: Summary of South East Asian Infrastructure Spending Outlook to 2025 issued by PricewaterhouseCoopers

CORPORATE RESPONSIBILITY STATEMENT

KYM is committed to progress to contribute to the development of our employees, environment, community and market place in sustainable and responsible manner.

In 2016, KYM continued its focus on activities relating to occupational safety and health, labour practices, energy efficiency and products services and responsibility.

THE WORK PLACE

We are committed to integrating good environmental, health and safety practices at every level of our operations. We have an ultimate goal of achieving zero-accident rate. During the financial year, we had 12 cases of work-related injuries in our operations although the injuries are minor. One of the factories achieved accident-free days for 186 days for the financial year ended 31 January 2017. A series of safety programs were carried out at the factories to reduce work-related accidents or injuries. These include:

1. Accident Prevention Tool Box Briefing;
2. Forklift Safety Handling;
3. Handling Chemical Spillage; and
4. Smoking Policy.

We continued to invest in our talent base through various training programmes to enhance their knowledge as well as to keep abreast with the latest developments in the industry and to further improve existing skillsets. During the financial year, trainings covering the following topics were organised for and attended by employees at all levels to enhance their knowledge as well as to keep abreast with the latest developments in the industry and to further improve existing skillsets:

- Technical training related to Accounting, Taxation and Companies Act 2016;
- HR Management and Employment Act;
- Information Technology;
- Risk Management and Internal Control;
- Quality Management System;
- Schedule Waste Management; and
- Sales & Marketing.

We improve our working culture and encourage collaboration by organizing team building activities and festival celebrations to strengthen the team bonding among the employees.

We emphasized on healthy workforce. A Dengue Prevention Campaign was held at a factory in Perak. To improve the health awareness of the employees at the corporate office, we reviewed the welfare of employees and provided complimentary health screenings for employees during the financial year. We also provided our employees with access to quality healthcare as well as medical insurance for eligible employees and their immediate family members.

THE ENVIRONMENT

During the financial year, we installed a new energy efficient air compressor in the factory in Beranang. We replaced the lighting at the production facility from 400 watt High Bay Light with 80 watt Down Light to reduce energy consumption. In addition, we installed clear roofing at the warehouse in Beranang to improve energy efficiency due to greater transmission of light and it is durable. The implementation of the said energy saving activities resulted in a reduction in electricity cost from 0.9% to 0.79% in Beranang. We continued to practice prudent electricity usage in the workplace. Lights in the office were switch off during the scheduled break.

Our plants in Perak have obtained certification on ISO 9001:2015 for Quality Management System while one of our plant is still in the process of upgrading its existing certification to ISO 9001:2015. We are compliant with local environment regulation and have no environmental incidents. We continue our improvement activities to increase efficiency and to reduce wastage.

CORPORATE RESPONSIBILITY STATEMENT

(CONT'D)

THE COMMUNITY

The Group continues to do its best to support and help strengthen the local communities where it works through job creations, donations and charity work. In 2016, the Group has made cash donations to Suara Penghuni Rumah Kediaman Polis DiRaja Malaysia and Berita Kesatuan Pekerja Bomba dan Penyelamat Semenanjung Malaysia.

THE MARKET PLACE

The Group is committed to ensuring that manufacturing processes, and especially procurement, are environmentally responsible. All of our products are paper based and are sustainable in nature. Paper based packaging is 100% recyclable and renewable. We aim to produce sustainable packaging for our customers, not only today but also years to come.

We take into account the good environmental practices when purchasing the supplies and help the suppliers understand our purchasing policy through on site visits, suppliers purchasing charters and suppliers audit.

Our major raw material, kraft paper takes up approximately 90% of our total raw material purchases. We source papers from suppliers who are committed to appropriately sourcing wood and fibre from sustainably managed forests and from custodian certified paper mills who promote sustainable green energy. For paper producers from North America, they have to be certified by SFI (Sustainable Forest Initiative) and for European producers, the PEFC (Pan European Forest Certification) and RoHS Compliant (Restriction of Hazardous Substances). This is also in compliance with the requirements from our major MNC cement customers.

As for recycled input material, we only recycle wooden pallets which are used for finished goods delivery. Other main input materials do not contain any recycled content due to product requirement and hygienic reason.

We strike for continuous improvement to produce excellent quality, services and competitively priced products with timely delivery for a sustainable future. We are committed to develop innovative packaging solutions and to assist customers in maintaining their competitive advantage with high-performance products and in cost-effective way. These high-performance products deliver top performance whenever high-speed filling processes are used. We also help customers to meet their sustainable target by providing sustainable industrial bags solutions that help the cement customers create a cleaner and healthier working environment - No dust, no waste and better handling.

KYM emphasizes on the compliance. We ensure that we comply with the relevant laws and regulations. We regard transparency, confidentiality and integrity as important business practices in building and maintaining long term relationship with our stakeholders. We expect our business partners adhere to the values stated in our Code of Conduct. We engage with our stakeholders via various communication channel such as dialogue with the shareholders at the Annual General Meeting ("AGM"), occasional briefing, and timely disclosure of information to Bursa Securities and posting of up-to-date information on the Company's website.

We continue to implement good corporate governance within the Group and strive to meet the expectation of its shareholders by generating profits and a fair return on their investment in all ways possible. The Group is trying their best to explore and grab every opportunities available for the best benefits of its shareholders.

CONCLUSION

The Board looks forward to increasing its CSR activities from time to time and aspires to meet KYM's responsibilities to our stakeholders, employees, the community and the environment.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of KYM recognizes the importance of adopting a good corporate governance practices and is taking steps to constantly evaluate and improve the management practices and systems in order to enhance the standard of corporate governance.

The following set out how the Board of Directors of KYM and its subsidiaries applied the Principles and Recommendation of Malaysian Code on Corporate Governance 2012 (“Code”) during the financial year ended 31 January 2017.

PRINCIPLE 1 - ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear Functions of the Board and Management

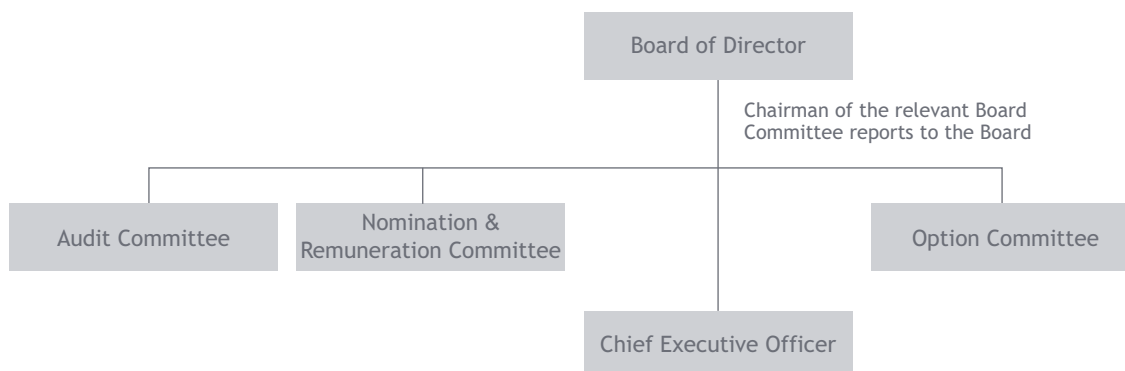
The role of the Board of the Company is to provide strategic guidance to the Company and effective oversight of its management for the benefit of Shareholders and other stakeholders. The Board Charter which was adopted in year 2014 sets out the roles and responsibilities of the Board of KYM and powers between the Board and management, the different committees set up by the Board, and between the Chairman and CEO.

The Board Charter covers the following key areas:

- Board Membership;
- Board Structure and Procedure;
- Division of Roles between Chairman of the Board and CEO;
- Directors’ Remuneration;
- Directors’ Training and Continuing Education;
- Investor Relations and Shareholder Communication; and
- Code of Ethics.

The Executive Director’s duties include the execution of the Board’s decisions and strategies, supervising the operations and also managing business and strategic decisions. The Non-Executive Directors provide effective and independent judgement and opinions to the deliberation and decision-making of the Board. A further explanation of the roles and responsibilities are stated in the Board Charter which is available at KYM’s website www.kym.com.my.

The Board has set up three (3) board committees namely Audit Committee, Nomination & Remuneration Committee and Option Committee that operate within clearly defined terms of references. The Chairman of the relevant Board Committee reports to the Board on key matters deliberated at their respective meetings and their recommendation thereon. Minutes of the Board Committee meetings are tabled at the Board Meetings.



1.2 Clear Roles and Responsibilities

The Board delegates the day-to-day management of KYM's business to the Board Executive Committee and Chief Executive Officer, but reserves for its consideration significant matters such as the following:

- a) Approval of strategic corporate plans;
- b) Approval of annual budgets, including major capital expenditure;
- c) Approval of new ventures;
- d) Approval of material acquisitions and disposals of undertakings and properties;
- e) Approval of annual and quarterly results; and
- f) Changes to the management and control structure within Group, including key policies, delegated authority limits.

During the financial year, the Board reviewed and approved the business plan, the annual financial budget for the Group and the proposed capital expenditure for financial year ended 31 January 2017 based on the Management's assumptions and views on challenges. The Board reviewed the actual performance of every business segment on quarterly basis. A mid-year review on the financial budget was conducted in September 2016.

The responsibilities of the CEO, amongst others, are as follows:

- a) Developing and implementing the business direction and strategies of the Group for consideration by the Board;
- b) Ensuring that Board decisions and policies set by the Board are implemented effectively;
- c) Ensuring efficiency and effectiveness of the operation for the Group;
- d) Assessing business opportunities which are of potential benefit to the Group; and
- e) Ensuring that the Board and Board Committees are provided with sufficient information in an accurate and timely manner regarding the Company's operations, performance, financial conditions, operating results and prospects, to enable the Board and the Board Committees to fulfill their governance obligations.

The Board oversees the performance of the management through the management highlight that the CEO updates at every Board Meeting.

1.3 Formalised Ethical Standards through Code of Ethics

The Company's code of ethics for Directors and employees govern the standards of conduct and behaviour expected from Directors and employees respectively. In performing their duty, our Directors observed ethical values based on the Code of Ethic for Company Directors and the values are as follows:

- a) Time commitment;
- b) Attendance and punctuality;
- c) Duty of care and diligence;
- d) Compliance to statutory and regulatory requirements;
- e) Consideration of Group and Shareholders;
- f) Participation in Meetings; and
- g) Disclosure on Conflict of Interests.

The existing code of conduct for employees that is set out in the KYM Employee Handbook covers all aspects of the company business operations, such as conflict of interest, bribery and corruption, confidentiality of information, gratuity and dishonest conduct.

The Directors have a duty to disclose to the Board should they be interested in a transaction to be entered with or by the Group. The interested director shall abstain from deliberations and voting on the said transaction. The interested director further undertakes the persons connected with him shall abstain from voting on the resolution pertaining to the said transaction.

1.4 Strategies Promoting Sustainability

The Board promotes business sustainability by providing quality and innovative products for its customers and keeping up with ethical, ecological, economic and social concerns. Details of the corporate sustainability activities and the engagement with stakeholders are set out in the Corporate Responsibility Statement on pages 16 to 17 of this Annual Report.

CORPORATE GOVERNANCE STATEMENT

(CONT'D)

1.5 Access to Information and Advice

The Directors have direct access to the advice and services of the Company Secretary to enable them to discharge their duties effectively.

All Directors are provided with reports and other relevant information at least five (5) days prior to the Meeting of Board or Board Committees to enable the Directors to obtain further explanations. The CEO and other members of Senior Management attended the Board and Board Committees Meeting by invitation to provide insight into business.

External advisers are invited to attend meetings to provide professional views, advice and explanation on specific items on the meeting agenda, if any.

The Directors may seek independent advice should the need arise. The procedure for the Directors to seek independent advice is set out in the Board Charter.

1.6 Qualified and Competent Company Secretary

The Company Secretary provides support to the Board in fulfilling its fiduciary duties and leadership role in shaping the Corporate Governance of KYM Group. She advises the Directors the obligations with regard to the disclosure of interest in securities, disclosure of any conflict of interest in transaction and its compliance with regulatory requirements, Codes, guidance and legislation. The Company Secretary updates the Board on any changes to statutory and regulatory requirements or governance practices concerning their duties and responsibilities.

The Company Secretary attends all Board and Board Committee Meetings and ensure that meetings are properly convened, proceedings including resolutions are properly and accurately recorded and the statutory register is properly maintained at the registered office of the Company.

PRINCIPLE 2 - STRENGTHEN COMPOSITION

2.1 Nominating Committee

The Board has established a Nomination & Remuneration Committee ("NRC") which combines the functions of nominating committee and remuneration committee. The NRC comprises three (3) Non-Executive Directors of which majority are independent. The Chairman of the NRC is Dato' Seri Dr. Isahak Bin Yeop Mohamad Shar.

The NRC met once during the financial year to discuss the following:

- a) assessment of the performance of the Board as a whole and the Board committees;
- b) assessment of the independence of independent directors and to recommend to the Board to retain the independent directors who would have served on the Board for more than nine (9) years;
- c) evaluated the composition and effectiveness of the Audit Committee as a whole;
- d) assessed the Directors who are standing for re-election and nominating the directors who are standing for re-election and re-appointment accordingly; and
- e) review of the remuneration packages of executive director.

2.2 Criteria for Recruitment and Assessment

The NRC is responsible to oversee the selection process and assessment of the performance of the Directors for the Board with the goal of securing the best composition to meet the objectives of the Company. When assessing the suitability of a nominated candidate for appointment to the Board, the NRC will review the board composition matrix setting out the criteria and the gap, considering several factors including, skills, experience, expertise, personal qualities and attributes that will best complement the skill set and characteristics of existing directors and enhance Board effectiveness.

The Board does not have a gender diversity policy or specific target for the appointment of female candidates in the recruitment of directors. The NRC gives due consideration to age, gender and experience when evaluating potential candidates for appointment to the Board. The NRC member will meet with the nominated candidate(s) to assess their suitability before recommending to the Board for approval.

CORPORATE GOVERNANCE STATEMENT

(CONT'D)

New Directors are subject to re-election at the AGM following their first appointment. In addition, at least one third of the Directors retire by rotation at each AGM and all directors retire from office once at least every three (3) years in accordance with the Company's Constitution. The Managing Director shall also retire once in every three (3) years subject to re-election and re-appointment.

During the financial year, an assessment of the Board Performance was carried out via questionnaires based on the following criteria:

- a) Board Composition & Qualification;
- b) Board Dynamics & Functioning;
- c) Understanding the Business, Including Risks;
- d) Ethics & Compliance; and
- e) Monitoring Activities.

The NRC reviewed the outcome of the assessment and was satisfied that the Board was able to discharge its duties professionally and effectively as well as uphold the governance standards in their conduct. The NRC noted that half of the Board aged 60 years and over. In view of KYM Group's strategic direction, the NRC acknowledges the advantages of increasing generational diversity in the boardroom. The NRC believes that younger talent will bring new energy to the Board. As such, upon the recommendation of the NRC, the Board had on 30 March 2017 unanimously approved the appointment of Mr Lim Tze Thean, who is under 40 years old but yet able to provide perspective due to his current position and years of experience in KYM, as an Executive Director. As such, the number of Directors under 40 years of age increased to two (2). The Directors aged 60 years and over dropped from 50% to 43%.

During the financial year, the NRC carried out an evaluation of the Audit Committee as a whole covering the composition, skills and competencies of each of the Audit Committee member as well as meeting administration and conduct of the Audit Committee Meeting.

The outcome and recommendation was deliberated at the subsequent NRC Meeting held on 30 March 2017. The NRC was satisfied that the Audit Committee carried out their duties in accordance with the terms of references.

2.3 Remuneration Policies

The Company aims to set remuneration levels which are sufficient to attract and retain the Directors needed to run the Company effectively, taking into consideration the role, workload and responsibilities.

The remuneration of the Board is in line with the Group's overall practice on compensation and benefits. The Group operates a bonus and incentive scheme for all employees, including the Executive Director. The performance of Directors is measured by the Directors' contribution and commitment to both the Board and the Company. The Executive Director and senior management's remuneration will depend on the performance of the Group and the achievement of the goals.

During the financial year, the NRC also reviewed the remuneration packages and benefits annually as extended to the Executive Director. The Executive Director did not participate in the deliberation and decision making relating to his own remuneration.

The remuneration for Non-Executive Directors is based on a fixed fee, with the Chairman of the Board and Chairman of the Audit Committee receiving higher amount in recognition of their additional responsibilities. Fees and Directors' benefits payable to Non-Executive Directors are subject to shareholders' approval at the AGM. The individuals concerned abstain from discussions of their own remuneration.

CORPORATE GOVERNANCE STATEMENT

(CONT'D)

The details of the remuneration of the Directors of the Group and of the Company for the financial year under review (including remuneration drawn from the subsidiaries) are as follows:

	The Group RM	The Company RM
Executive:		
Salary	132,000	-
Defined Contribution Plan	15,840	-
Bonus & Allowances	-	-
Benefits in Kind	-	-
Non-Executives:		
Fees	104,000	104,000
Meeting Allowance	15,250	15,250
Total	267,090	119,250

The number of Directors whose total remuneration falls within the respective band is as follows:-

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Up to RM50,000	-	4
RM50,001 - RM100,000	-	1
RM100,001 - RM150,000	1	-

PRINCIPLE 3 - REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independent Directors

Our Board recognises the significant involvement that Independent Directors make to incorporate a good corporate governance. All Directors, regardless of their independent status, are required to act in the best interests of the Group and to exercise independent judgment.

During the reporting period, all the independent non-executive directors undertook a self-assessment of the independence based on the defined criteria of independence set out in the Main Market Listing Requirements of Bursa Securities and other criteria recommended by the Code.

All three (3) independent non-executive directors fulfilled the defined criteria of independence except the nine (9) years tenure.

3.2 Tenure of Independent Director

Pursuant to Recommendation 3.2 of the Code, the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of nine (9) years, an Independent Director may continue to serve on the Board subject to being re-designated as a Non-Independent Director. However, the Company does not have term limits for its Independent Directors as the Board considers that continued contribution provides benefits to the Board and the Company as a whole.

Datuk Wira Rahadian Mahmud Bin Mohammad Khalil who was appointed as an Independent Director since 2 October 2006 has served on the Board for more than nine (9) years. Both Dato' Seri Ir. Mohamad Othman Bin Zainal Azim and Dato' Mohd Azmi Bin Othman who were appointed as Independent Directors on 12 February 2007 have served for an accumulative term of more than nine (9) years. Notwithstanding their long tenure in office, these directors have continued to exercise independence and due care during their tenure as an Independent Non-Executive Director of the Company and carried out their professional duties in the best interest of the Company. In addition, they have shown great integrity of independence from Management and free from any business or other relationship which could interfere with independent judgement or the ability to act in the best interests of the Company. The long tenure of the said Director did not impair their independence. Based on the review of the NRC, the NRC had recommended to the Board to retain these directors as Independent Directors.

3.3 Shareholders' Approval for Retention of Independent Directors

Based on the review and recommendation made by the NRC, the Board recommends the retention of Datuk Wira Rahadian Mahmud Bin Mohammad Khalil, Dato' Seri Ir. Mohamad Othman Bin Zainal Azim and Dato' Mohd Azmi Bin Othman as Independent Directors and will seek the shareholders' approval at the forthcoming AGM for their retention as Independent Directors.

3.4 Separation of Positions of Chairman and Chief Executive Officer

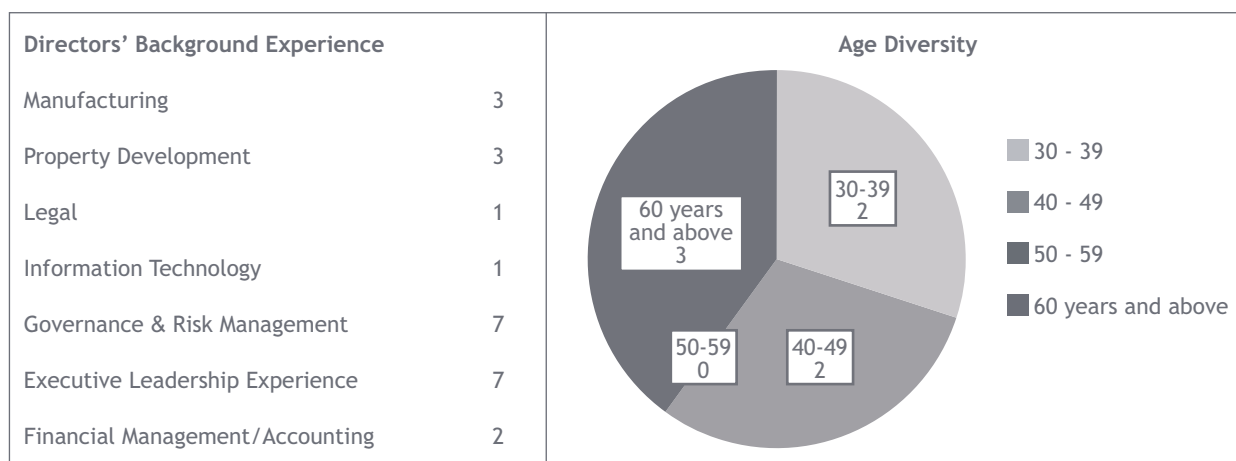
The positions of Chairman of the Board and CEO are held by different individuals. The Chairman of the Board is responsible for the leadership, effectiveness and conduct of the Board while the CEO has overall responsibility over the business units and day-to-day management of the Company, organizational effectiveness and implementation of Board policies, strategies and decisions.

3.5 Board Composition

The Board currently comprises seven (7) members i.e. two (2) Executive Directors, two (2) Non-Independent Non-Executive Directors and three (3) Independent Non-Executive Directors. The Board size is conducive to decision making and is appropriate given the size of the KYM Group's operations. The composition of the Board remains adequate to facilitate effective decision making, provide for a diversity of views, and appropriate balance of executive, independent and non-independent directors.

The Board is helmed by a Dato' Seri Dr. Isahak Bin Yeop Mohamad Shar who is a Non-Independent Non-Executive Chairman. Although the Chairman of the Board of KYM is not an independent director, the Independent Non-Executive Directors made up about 50% of the Board to ensure balance of power and authority on the Board. Details of all Directors are set out on pages 6 to 9.

The Independent Non-Executive Directors are active and open in the board deliberations and contribute to the direction of the Group.



PRINCIPLE 4 - FOSTER COMMITMENT

4.1 Time Commitment

The Directors are aware of the time commitment expected from them to attend to the affairs of the Company for the year. Directors have disclosed to the Company Secretary their directorships and nature of offices held in all companies or organizations. None of the Directors held directorships in more than five public listed companies to ensure they have sufficient time to focus and discharge their roles and responsibilities effectively. Directors will notify the Company Secretary in a timely manner any change in their directorships.

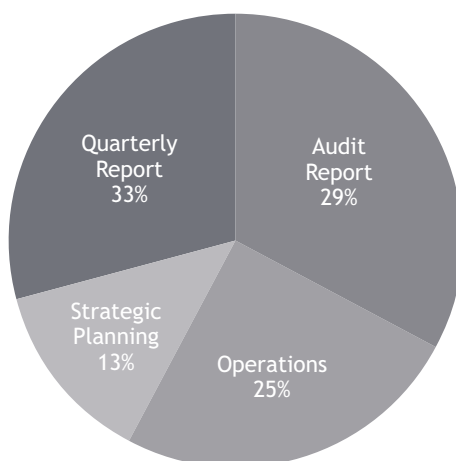
A meeting calendar for the entire year was provided to all Directors for them to plan their schedule ahead. The meeting calendar sets out the scheduled dates for meetings of the Board and Board Committees, the AGM as well as the closed periods for dealings in securities by directors based on the targeted dates of announcement of the Group's quarterly results.

CORPORATE GOVERNANCE STATEMENT

(CONT'D)

The Board is satisfied with the level of time commitment given by the Directors in the discharge of their roles and responsibilities.

Time Commitment Spent Discussing on Issues



Board of Directors Meeting

Name of Director	Attendance
Dato' Seri Dr. Isahak Bin Yeop Mohamad Shar (Non-Independent Non-Executive Chairman)	5/5
Dato' Seri Ir. Mohamad Othman Bin Zainal Azim (Independent Non-Executive Director)	5/5
Dato' Lim Kheng Yew (Executive Director)	5/5
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil (Independent Non-Executive Director)	4/5
Dato' Mohd Azmi Bin Othman (Independent Non-Executive Director)	4/5
Lee Ji Jin Darren (Non-Independent Non-Executive Director)	5/5
Lim Tze Thean (Appointed on 30 March 2017) (Executive Director)	N/A

Audit Committee Meeting

Name of Director	Attendance
Dato' Seri Ir. Mohamad Othman Bin Zainal Azim (Independent Non-Executive Director)	5/5
Dato' Mohd Azmi Bin Othman (Independent Non-Executive Director)	5/5
Lee Ji Jin Darren (Non-Independent Non-Executive Director)	5/5

CORPORATE GOVERNANCE STATEMENT

(CONT'D)

Nomination and Remuneration Committee Meeting

Name of Director	Attendance
Dato' Seri Dr. Isahak Bin Yeop Mohamad Shar (Non-Independent Non-Executive Chairman)	1/1
Dato' Seri Ir. Mohamad Othman Bin Zainal Azim (Independent Non-Executive Director)	1/1
Dato' Mohd Azmi Bin Othman (Independent Non-Executive Director)	1/1

4.2 Directors' Training

Directors' training is important to enable the Directors to equip themselves with the knowledge to discharge their duties more effectively. Training programmes attended by the Directors during the financial year are as follows:

Dato' Seri Ir. Mohamad Othman Bin Zainal Azim

- CG Breakfast Series with Directors: "The Strategy, the Leadership, the Stakeholders and the Board" on 6 May 2016
- Launch of the AGM Guide & CG Breakfast Series: "How to Leverage on AGMs for Better Engagement with Shareholders" on 21 November 2016
- Corporate Governance Breakfast Series with Directors: "Anti-Corruption & Integrity - Foundation of Corporate Sustainability" on 8 December 2016

Datuk Wira Rahadian Mahmud Bin Mohammad Khalil

- Positioning A strong Broad Risk Oversight Role Beyond Financial Performance on 26 August 2016
- Companies Act 2016 on 20 December 2016

Dato' Mohd Azmi Bin Othman

- Bursa Malaysia Listing Requirement Update 2016: The Proposed Malaysian Code on Corporate Governance 2016 on 6 October 2016

Lee Ji Jin Darren

- CG Breakfast Series with Directors: "The Strategy, the Leadership, the Stakeholders and the Board" on 6 May 2016
- CG Breakfast Series for Directors: "Future of Auditor Reporting - The Game Changer for Boardroom" on 27 June 2016

All the Directors attended the briefing conducted by the Company Secretary on 31 March 2016 pertaining to the Amendments to Listing Requirements on Disclosure and Corporate Governance.

All the Board members, save and except for Lim Tze Thean who was recently appointed to the Board on 30 March 2017, have attended and completed the Mandatory Accreditation Programme.

PRINCIPLE 5 - UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with Applicable Financial Reporting Standards

The Board is committed to provide a balanced, fair and comprehensive assessment of the Company's state of affairs in its financial statements. To ensure this, adequate financial processes are in place, aimed at keeping the Group's accounting records and transactions in accordance with accepted accounting standards.

The Audit Committee which has been entrusted with the responsibilities to review the Group's quarterly results and annual audited financial statements reviewed. In reviewing the quarterly and year financial statements, the Financial Controller provided adequate assurance to the Audit Committee that appropriate accounting policies had been adopted and applied consistently.

The Audit Committee Report for the financial year ended 31 January 2017 is contained on pages 28 to 30 of this Annual Report.

CORPORATE GOVERNANCE STATEMENT

(CONT'D)

Statements of Directors' Responsibility for Preparation of Audited Financial Statements

The Directors are legally required to prepare financial statements for each financial year which give a true and fair view in accordance with applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Companies Act, 2016 and the Main Market Listing Requirements of Bursa Securities.

In preparing the financial statements of the Group and the Company for the financial year ended 31 January 2017, the Directors have adopted appropriate accounting policies and applied them consistently, made judgement and estimates that are prudent and reasonable and ensured the applicable approved accounting standards have been followed.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group and of the Company and to detect and prevent any fraud as well as any other irregularities.

5.2 Assessment of External Auditors

The Company has always maintained a formal and transparent relationship with its auditors through its Audit Committee.

In March 2017, KYM has formalized the policy and procedures to assess the suitability and independence of the external auditors during the financial year. Prior to the establishment of a formal policy, the Audit Committee conducted an informal assessment of the External Auditors based on the following:

- Quality of the work provided by the audit team and sufficiency of resources provided by the External Auditors during the current audit cycle;
- Independence;
- The Audit Committee's experience with the External Auditors during the interactions and private sessions with the lead audit partner and audit manager. The Audit Committee evaluated whether the External Auditors demonstrate objectivity and professional skepticism; and
- Observations obtained from the Management.

The external auditors reported the details of provision of non-audit services, and any other matters that may reasonably be thought to have bearing on the external auditor's independence. During the financial year, the Group incurred RM67,600 for the non-audit services provided by Crowe Horwath and its network firms, representing about 41.3% of the total fees paid to the external auditors. The Audit Committee has considered the nature of non-audit services provided by the external auditors during the year and concluded that the amount of fees paid for these services was not significant and the independence of the external auditors is not impaired by the provision of such non-audit services to the Group.

The external auditors implemented the audit partner rotation. The external audit engagement partner shall rotate at least once every five (5) years. In addition, the Audit Committee obtained written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

PRINCIPLE 6 - RECOGNISE AND MANAGE RISKS

6.1 Sound Framework to Manage Risk

The Board has established a risk management and internal control system that is designed to manage, rather than eliminate risk, and to improve the governance process of the Group. The key features of the group risk management framework are set out in Statement on Risk Management and Internal Control on pages 31 to 33 of this Annual Report.

The Board has overall accountability for ensuring that risk is effectively managed across the Group and, on behalf of the Board, the Audit Committee reviews the effectiveness of the risk management and internal control process. Each strategic business unit is responsible for identifying, assessing and managing the risks in their respective area.

6.2 Internal Audit Function

The Board acknowledges the responsibility for maintaining a system of internal controls which provides reasonable assurance on the effectiveness and efficiency of the operations that ensure compliance with the applicable laws and regulations, as well as with internal procedures and guidelines. The outsourced internal audit function who reports directly to the Audit Committee, has carried out periodic internal audit visits to monitor compliance with the Group's procedures and to review the adequacy and effectiveness of the Group's systems internal control. Details of the Company's internal control systems are set out in the Audit Committee Report.

PRINCIPLE 7 - ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy

Although the Company has yet to formalize a Corporate Disclosure Policy and Procedures, we observe the Corporate Disclosure Guide issued by Bursa Securities and ensure compliances with the disclosure requirements of the Main Market Listing Requirements. The quarterly financial results is disseminated promptly and timely to enable shareholders to have an overview of the Group's performance and operations and make informed investment decisions.

Any information that may be regarded as undisclosed information about the Group will not be disclosed to any single shareholder until after the prescribed announcement to the Bursa Securities has been made.

PRINCIPLE 8 - STRENGTHEN RELATIONSHIPS BETWEEN COMPANY AND SHAREHOLDERS

8.1 Encouraging Shareholders Participation at General Meetings

The AGM remains the principle forum for dialogue with shareholders. Notice of the AGM together with annual reports are sent out to shareholders at least 21 days before the date of the meeting in accordance with the Company's Constitution.

At each AGM, the Board encourages shareholders participation and every opportunity is given to the shareholders to ask questions and seek clarification on the business and performance of the Group. Members of the Board and the External Auditors are present to respond to shareholders' questions during the Meeting.

All resolutions set out in the notice of any general meeting will be voted by polls in line with Paragraph 8.29A of the Main Market Listing Requirements. An independent scrutineer will be appointed to validate the votes cast at the AGM.

8.2 Communication and Engagement with Shareholders

The Company recognizes the significance of being transparent and accountable to its stakeholders. Thus the Company maintains an active and constructive communication medium that enables the Board and Management to communicate effectively with investors and the public generally.

The Board and Management convey information about the Company's performance, corporate strategy and other matters affecting shareholders' interests to the shareholders and investors through timely dissemination of information which include distribution of annual reports and relevant circulars and issuance of press releases.

The Company's revamped website www.kym.com.my is a key communication channel for the Company to connect with its shareholders, investors and the general public. The Company's announcement, financial results, annual reports, circular to shareholders and press statements are published in the Company's website to keep the shareholders and investors informed on the Group's performance.

8.3 Investor Relations

To maintain a high level of transparency and to efficiently address any concerns, the Group has a dedicated electronic mail at ir@kym.com.my, whereas the stakeholders can send their queries.

COMPLIANCE STATEMENT

The Board is satisfied that the company has, in all material aspects complied with the principles and recommendations of the Code during the financial year ended 31 January 2017 except where it was specifically stated otherwise.

This Statement was approved by the Board on 11 May 2017.

AUDIT COMMITTEE REPORT

MEMBERS OF THE AUDIT COMMITTEE

Dato' Seri Ir. Mohamad Othman Bin Zainal Azim (Chairman)	- Independent Non-Executive Director
Dato' Mohd Azmi Bin Othman	- Independent Non-Executive Director
Lee Ji Jin Darren (Fellow of Association of Chartered Certified Accountants, United Kingdom)	- Non-Independent Non-Executive Director

The term of office and the performance of the Audit Committee as a whole was evaluated by the Nomination & Remuneration Committee ("NRC") in January 2017. The NRC is satisfied that the Audit Committee and its members have carried out their duties in accordance with their Terms of Reference. The Terms of Reference is available on the Company's website (www.kym.com.my).

MEETING AND ATTENDANCE

Five (5) Audit Committee Meetings were held during the financial year. The record of attendance of the Audit Committee members is set out on page 24.

The Group's CEO was invited to all Audit Committee Meetings to provide further clarifications on the operations of the Group, the risk management and internal control systems. The Financial Controller attended all meetings of the Committee to present all financial reports and results. At the invitation of the Committee, the SBU Heads responsible for the internal audit subject attended the meeting to provide clarifications on the audit findings highlighted by the internal auditors in the internal audit report and update the status of their proposed action plans.

The Company Secretary is the secretary of the Committee and as a reporting procedure, the minutes were circulated to all members of the Board at the next Board of Directors' Meeting.

During the financial year, two (2) private sessions were held between the Audit Committee and the external auditors without the presence of the management.

ACTIVITIES OF THE AUDIT COMMITTEE

The activities of the Audit Committee were summarized as follows:

Financial Reporting

- reviewed the Group's quarterly financial results and year end financial statements before presenting to the Board of Directors for approval. In reviewing the quarterly financial results, the Financial Controller briefed on the financial reporting process and provided explanations on the analysis of the interim financial information and major variances. The CEO briefed on the Group's business operations, factors affecting the Group's performance and the industry outlook to enable the Audit Committee has better understanding of the Group's operations and its business environment. The Audit Committee actively discussed about steps taken by the Management to improve the accounting and reporting efficiency of the major subsidiaries, issues affecting operations i.e. the weakening of Ringgit Malaysia resulting in an increase in raw material cost, and how Management assessed and managed the foreign currency transactions to ensure the interim financial statements contain appropriate disclosures;
- the Financial Controller also provided adequate assurance to the Audit Committee that appropriate accounting policies had been adopted and applied consistently; and
- at the Board Meetings, the Chairman of the Audit Committee briefed the Board on the significant accounting issues raised in respect of the financial statements and recommendations of the Audit Committee thereon.

External Auditors

- At the Audit Committee Meeting held on 21 December 2016, the Audit Committee reviewed and discussed the audit plan prior to the commencement of audit for financial year ended 31 January 2017. The audit engagement partner attended the meeting and highlighted the audit approach, areas of audit emphasis and proposed audit fees. The Audit Committee recommended the proposed audit fees for the Board's approval and the same was duly approved by the Board on 21 December 2016. At the meeting, the Audit Committee also discussed with the external auditors on new developments of accounting standards that are applicable to the Company's financial statements for financial year ended 31 January 2017 and the new format of the independent auditors report;
- The Audit Committee further discussed the audit findings and accounting issues arising from the financial audit together with the external auditors' recommendations in respect of the findings at the meeting held on 30 March 2017;
- The Audit Committee met with the external auditors without the presence of the CEO and Management on 31 March 2016 and 21 December 2016. The Audit Committee enquired about the efficiency of the financial management of the subsidiaries, discussed their concern about the impact of the foreign exchange movement. The audit engagement partner confirmed that there were no major issues or concerns raised by the External Auditors during the financial year;
- The Audit Committee conducted an informal assessment of the External Auditors based on the following:
 - Quality of the work provided by the audit team and sufficiency of resources provided by the External Auditors during the current audit cycle;
 - Independence;
 - The Audit Committee's experience with the External Auditors during the interactions and private sessions with the lead audit partner and audit manager. The Audit Committee evaluated whether the External Auditors demonstrate objectivity and professional skepticism; and
 - Observations obtained from the Management.
- The External Auditors reported the details of the non-audit services rendered during the financial year. The non-audit services rendered during the financial year were in respect of tax compliance and review of the Statement on Risk Management and Internal Control. The Group Financial Controller reported that the total fees incurred by the Group for non-audit services rendered by Crowe Horwath and its network firms during the financial year were RM67,600 which constituted approximately 41.3% of the total fees paid to the external auditors. The Group Financial Controller further informed that the Group did not engage the External Auditors for other non-recurring non-audit services. Considering the nature and scope of the non-audit service, the Audit Committee was of the opinion that the independence of the external auditors is not impaired by the provision of such non-audit services to the Group. The External Auditors had on provided a written assurance to the Audit Committee confirming that they were, and had been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

Based on the abovementioned assessment, the Audit Committee concluded that they are completely satisfied with the performance of the external audit team and the suitability of Crowe Horwath as a firm. The Audit Committee recommended to the Board for approval the appointment of Crowe Horwath as External Auditors for the financial year ending 31 January 2018.

The Board at its Board Meeting held on 30 March 2017 approved the Audit Committee's recommendation and recommended the re-appointment of Crowe Horwath as the External Auditors to be tabled at the 35th AGM.

AUDIT COMMITTEE REPORT

(CONT'D)

Internal Auditors

- During the financial year, the outsourced internal audit function has carried out internal audit review to assess the adequacy and effectiveness of the SBUs' system of internal control and compliance with the Group's policies and procedures over the following business processes/areas based on the approved audit plan for 2016/2017:
 - Sales and Collection;
 - Human Resource Management (Non-Management Level Staff);
 - Procurement; and
 - Treasury Management.
- The internal audit reports outlining the weaknesses, audit recommendations and the management action plan were reviewed and discussed at the Audit Committee Meetings.

Related Party Transactions

- The Audit Committee reviewed the recurrent related party transactions ("RRPT") entered by the Group pursuant to the Shareholders' Mandate every quarter to ensure that the transactions are carried out on normal commercial terms and are not prejudicial to the interest of the company or its minority shareholders.

Others

- The Audit Committee reviewed the Audit Committee Report and Statement on Risk Management and Internal Control and recommended to the Board for inclusion in the annual report.

INTERNAL AUDIT FUNCTION

The Audit Committee is assisted by an independent internal audit function that has been outsourced to a professional services firm. The Internal Auditors review and assess the operational procedures and effectiveness of internal audit control system on all the Strategic Business Units of the Group in accordance with the approved internal audit plan.

During the financial year, audit review had been carried out to assess the adequacy and effectiveness of the SBUs' system of internal control and compliance with the Group's policies and procedures over the following business processes/areas based on the approved audit plan for 2016/2017:

- Sales and Collection;
- Human Resource Management (Non-Management Level Staffs);
- Procurement; and
- Treasury Management.

Where weaknesses were noted, a follow up audit review had been carried out to ensure Management has taken appropriate actions to address them within the proposed timeline. Matters that in the opinion of the Internal Auditors required ratification, improvement or attention by Management and the Audit Committee, were highlighted to the Audit Committee.

The Internal Auditors and the SBU Heads were invited to attend the Audit Committee Meeting to discuss the audit findings set out in the internal audit report. The Audit Committee also discussed and followed up on the status of the Management Action Plans in relation to the audit findings highlighted by the Internal Auditors.

The Chairman of the Audit Committee reported the significant findings highlighted by the Internal Auditors to the Board of Directors.

Cost incurred for the internal audit function in respect of the financial year ended 31 January 2017 is RM63,000.00.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

This Statement on Risk Management and Internal Control is made in accordance with the paragraph 15.26(b) of Bursa Malaysia Securities Berhad Listing Requirements and as guided by Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers (“the Guidance”), which requires Malaysian public listed companies to make a statement in their annual report concerning risk management and internal control system, as a Group.

BOARD RESPONSIBILITIES

The Board is responsible for maintaining an effective governance, sound risk management framework and system of internal control that cover the financial reporting, compliance and operations of the Group to safeguard shareholders’ investment and the Group’s assets. The Audit Committee supports the Board in reviewing the adequacy and effectiveness of the Group’ risk management and internal control system. Notwithstanding that, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Management is accountable to the Board for implementing and monitoring the system of risk management and internal control and for providing assurance to the Board that it has done so. The Board received assurance from the CEO and the Financial Controller that the Group’s risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management and internal control systems of the Group.

RISK MANAGEMENT

The existing risk management framework is designed to advance the development and implementation of modern management practices and to support innovation throughout KYM’s operational and business activities.

Board of Directors	Oversight of governance, risk management framework and system of internal control
Audit Committee	Evaluates the adequacy and effectiveness of the risk management and internal control system
Management	Owner of the risk shall identify, assess and measure key risk areas; implement and monitor the system of risk management and internal control



Management will perform separate risk assessment on new business proposals or major investments. Key risk areas will be highlighted and appropriate action plans will be prepared to address the key risks prior to the submission to the Board for consideration.

The Audit Committee with the assistance of the Internal Auditors, Audex Governance Sdn. Bhd. reviews the internal control processes, and evaluates the adequacy and effectiveness of the risk management and internal control system. The internal audit work plan, which reflects the risk profile of the Group’s major business sectors is routinely reviewed and approved by the Audit Committee. Further details are set out in the Audit Committee Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(CONT'D)

INTERNAL CONTROL STRUCTURE AND PROCESSES

The principle features of the Group's internal control structure are summarised as follows:

- (1) An organisational structure has defined roles and responsibilities with appropriate limits of authority. The responsibilities and functions of the Board of Directors and each committee are set out in the board charter and terms of reference. The Board has delegated specific responsibilities to the relevant committees such as Audit Committee and Nomination & Remuneration Committee to implement and monitor the Board's policies and controls within the Group. Matters reserved for the Board's decision are clearly set out in the Board Charter which is published in the Company's website. The Board delegates responsibility for the day-to-day management of the Company to the CEO.
- (2) The CEO will disseminate the Group's corporate objectives and corporate values deliberated at the Board Meeting to members of management at their scheduled monthly management meetings. Significant business risks that have impacted or likely to impact each business unit are raised and discussed regularly during the monthly management meetings. Appropriate action plans and control procedures are implemented to mitigate the risks and issues identified. The CEO will closely monitor the business and operational risks and ensure that the Group's corporate objectives are met through his attendance at management meetings, as well as the review of relevant management and operational reports. Significant risks are escalated to the Board by the CEO at the scheduled board meetings.
- (3) The annual budgeting process is one of our key control activities. All operating subsidiaries prepare their respective budgets and business plan which will be reviewed by the Senior Management before tabling to the Board for deliberation. The actual performance versus the approved financial budgets are reviewed by the Board half yearly.

Management holds monthly meetings with Heads of Strategic Business Unit to review the performance of the business units, to discuss and resolve issues or challenges faced with regard to operational and administrative matters. Variances are analysed against the budget (for financial and operational targets) and reasons for shortfalls are identified and responded in a timely manner.

- (4) The Group has set in place policies and standard operating procedures for its key business processes and business units. In addition, the manufacturing subsidiaries that implement ISO 9001:2008 or ISO 9001:2015 Quality Management System ("QMS") benefit from the improved risk management and operational effectiveness and efficiency as the standard provides guidance and tools to the subsidiaries to ensure their products or services meet a certain level of quality; that is, they are reliable, safe, consistent, meet customer expectations, continuously improve and comply with the law. Audit of the QMS is carried out regularly to ensure continual improvement of the effectiveness. These policies and procedures are subject to review and improvement to meet changes in business, operational and statutory needs.
- (5) As part of the preventive anti-fraud measures, the Group has in place a Code of Conduct for employees that is communicated to all staff to govern the standard of ethics and good conducts.

INTERNAL AUDIT FUNCTION

The Internal Audit function provides an independent, objective assurance on the areas of operations reviewed, and advises on the best practices that will improve and add value to the Group's internal control. Audit reports together with findings, management's response and corrective actions are presented by the Internal Auditors to the Audit Committee on a quarterly basis. In assessing the adequacy and effectiveness of the system of internal controls and financial control procedures of the Group, the Audit Committee reports to the Board on its activities, significant audit results or findings and the necessary recommendations or actions needed to be taken by management to rectify those issues.

Management constantly monitors the gaps and issues highlighted by internal and external auditors and has shown commitment to improve on the current processes and internal controls.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(CONT'D)

REVIEW BY EXTERNAL AUDITORS

The External Auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide (“RPG”) 5 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants (“MIA”) for inclusion in the Annual Report for the financial year ended 31 January 2017, and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the risk management and internal control systems.

BOARD’S CONCLUSION

The Board has reviewed the adequacy and effectiveness of the Group’s risk management and system of internal control for the year under review and up to date of this Statement. During the year, there were no material losses caused by breakdown in internal controls. Where weaknesses were noted, Management has taken appropriate actions to address them. Based on inquiry, information and assurances received from the CEO and Financial Controller, the Board is of the view that the risk management and system of internal control are satisfactory.

The Board will continue to develop and improve on its risk management practices which are consistent with good corporate governance.

This statement was made in accordance with a resolution of the Board dated 11 May 2017.

ADDITIONAL COMPLIANCE INFORMATION

During the financial year under review:

- KYM established an Employees Share Option Scheme involving up to fifteen per centum (15%) of the issued and paid-up capital of KYM ("ESOS"). During the financial year, no ESOS options were exercised.

Details of ESOS options granted to the Directors, senior management and employees are as follows:

	← Aggregate ESOS Options Granted	Since commencement of the Scheme on 16 May 2010 Aggregate ESOS Options Exercised	Aggregate ESOS Options Forfeited/Lapsed	→ Aggregate ESOS Options Outstanding
Directors and Chief Executive	4,600,000	1,840,000	400,000	2,360,000
	Aggregate maximum allocation applicable (%)	Actual ESOS Options granted during the financial year (%)	Aggregate ESOS Options Granted Since 16 May 2010 (%)	
Directors and Senior Management	50.00	-	29.75	

No share options were granted to Directors and senior management pursuant to the ESOS during the financial year. None of the Non-Executive Directors exercised the ESOS Options during the financial year.

- The fees incurred by the Group for non-audit services rendered by the external auditors or a firm affiliated with the auditors' firm during the financial year were RM67,600. Audit Fees paid by the Group and the Company amounted to RM163,650 and RM36,600 respectively.
- There were no material contracts entered into by the Group involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 January 2017.

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 January 2017.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	The Group RM'000	The Company RM'000
Profit after taxation for the financial year	635	5,411
Attributable to:-		
Owners of the Company	636	5,411
Non-controlling interests	(1)	-
	635	5,411

DIVIDENDS

No dividend was paid since the end of the previous financial year and the directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

- (a) there were no changes in the issued and paid-up share capital of the Company; and
- (b) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

EMPLOYEES' SHARE OPTION SCHEME

The Employees' Share Option Scheme ("ESOS") of the Company is governed by the ESOS By-Laws and was approved by shareholders in previous financial years. The ESOS is to be in force for a period of 5 years effective from 16 May 2010.

The board of directors of the Company had on 13 May 2015 approved the extension of the duration of the ESOS for a further 5 years pursuant to the ESOS By-Laws of the Company. The expiry date of the ESOS is revised to 15 May 2020.

The main features of the ESOS are disclosed in Note 17 to the financial statements.

The option prices and the details in the movement of the options granted are as follows:-

Date of Offer	Exercise Price	Number of Options over Ordinary Shares				At 31.1.2017
		At 1.2.2016	Granted	Exercised	Forfeited	
26 May 2010	RM0.90	2,935,000	-	-	(92,000)	2,843,000

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the ESOS.

The forfeited options in the current financial year were due to resignation of employees.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, 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 which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

DIRECTORS' REPORT (CONT'D)

CONTINGENT AND OTHER LIABILITIES

Other than the contingent liability disclosed in Note 42 to the financial statements, at the date of this report, there does not exist:-

- (a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company 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 when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS

The name of directors in office from the beginning of the financial year and up to the date of this report are as follows:-

Dato' Seri Dr. Isahak Bin Yeop Mohamad Shar
Dato' Lim Kheng Yew
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil
Dato' Seri Ir. Mohamad Othman Bin Zainal Azim
Dato' Mohd Azmi Bin Othman
Lee Ji Jin Darren
Lim Tze Thean (Appointed on 30.3.2017)

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares and options of the Company and its related corporations during the financial year are as follows:-

	Number of Ordinary Shares			
	At 1.2.2016	Bought	Sold	At 31.1.2017
<i>Direct Interests in the Company</i>				
- Dato' Lim Kheng Yew	2,000,000	-	-	2,000,000
- Dato' Mohd Azmi Bin Othman	42,000	-	-	42,000
- Lee Ji Jin Darren	110,000	-	-	110,000
<i>Indirect Interest in the Company</i>				
- Dato' Lim Kheng Yew	53,750,000	94,400	-	53,844,400
	Number of Options over Ordinary Shares			
	At 1.2.2016	Granted	Exercised	At 31.1.2017
<i>Share Options of the Company</i>				
- Dato' Seri Dr. Isahak Bin Yeop Mohamad Shar	760,000	-	-	760,000
- Dato' Lim Kheng Yew	1,000,000	-	-	1,000,000
- Datuk Wira Rahadian Mahmud Bin Mohammad Khalil	300,000	-	-	300,000
- Dato' Seri Ir. Mohamad Othman Bin Zainal Azim	300,000	-	-	300,000

By virtue of his shareholding in the Company, Dato' Lim Kheng Yew is deemed to have interests in shares in its related corporations during the financial year to the extent of the Company's interest, in accordance with Section 8 of the Companies Act 2016.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than the benefits shown under the Directors' Remuneration section of our report) 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 except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which a director has substantial financial interests as disclosed in Note 41 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the share options granted to a director pursuant to the ESOS of the Company.

DIRECTORS' REMUNERATION

The details of the directors' remuneration are disclosed in Note 35 to the financial statements.

DIRECTORS' REPORT

(CONT'D)

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

The auditors' reports on the financial statements of the subsidiaries did not contain any qualification.

None of the subsidiaries had any interest in shares in the Company during the financial year. Their interests in shares in other related corporations are disclosed in Note 5 to the financial statements.

AUDITORS' REMUNERATION

During the financial year, the total amount paid to or receivable by the auditors as remuneration for their services rendered to the Group and the Company amounted to RM175,100 and RM50,000 respectively.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The significant event during the financial year is disclosed in Note 48 to the financial statements.

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors dated 11 May 2017

Dato' Lim Kheng Yew

Dato' Seri Dr. Isahak Bin Yeop Mohamad Shar

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Dato' Lim Kheng Yew and Dato' Seri Dr. Isahak Bin Yeop Mohamad Shar, being two of the directors of KYM Holdings Bhd., state that, in the opinion of the directors, the financial statements set out on pages 46 to 106 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 January 2017 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out in Note 49, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the directors dated 11 May 2017

Dato' Lim Kheng Yew

Dato' Seri Dr. Isahak Bin Yeop Mohamad Shar

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Dato' Lim Kheng Yew, being the director primarily responsible for the financial management of KYM Holdings Bhd., do solemnly and sincerely declare that the financial statements set out on pages 46 to 107 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Dato' Lim Kheng Yew
at Kuala Lumpur in the Federal Territory
on this 11 May 2017

Dato' Lim Kheng Yew

Before me
Lai Din (No. W - 668)
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KYM HOLDINGS BHD. (Incorporated in Malaysia) Company No: 84303-A

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of KYM Holdings Bhd., which comprise the statements of financial position as at 31 January 2017 of the Group and of the Company, and the 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 financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 46 to 106.

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 31 January 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our 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 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' Code of Ethics for Professional Accountants ("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 financial 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.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Goodwill Impairment Refer to Note 9 to the financial statements	
Key Audit Matter	How our audit addressed the key audit matter
<p>The Group has goodwill of approximately RM4.7 million arising from the acquisition of Hasrat Meranti Sdn. Bhd..</p> <p>The goodwill contained a cash generating unit ("CGU") of which the recoverable amount is determined by the value in use model, requires judgement on the part of management in identifying and then valuing the relevant CGU.</p> <p>The value in use model used to assess the risk of impairment is based on assumptions including revenue forecasts, gross and operating margins and discount rates, all of which are country-specific.</p> <p>We focused on this area because of the inherent judgement involved in determining key assumptions such as future sales growth, profit margins and discount rates.</p>	<p>Our procedures in relation to management's impairment assessment included:-</p> <p>(a) Making enquiries of and challenging the management on the key assumptions made, including:</p> <p>(i) The achievement of the business plan; and</p> <p>(ii) Sales growth, operating margin, discount rates and long-term growth rates;</p> <p>(b) We also performed sensitivity analysis on key assumptions and agreed with management's conclusion that reasonable possible changes to the assumptions would result in a material difference to the changes already recognised; and</p> <p>(c) Assessed the adequacy of disclosure of goodwill in the financial statements.</p>

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KYM HOLDINGS BHD. (Incorporated in Malaysia) Company No: 84303-A (CONT'D)

Key Audit Matters (Cont'd)

Impairment of Property, Plant and Equipment Refer to Note 7 to the financial statements	
Key Audit Matter	How our audit addressed the key audit matter
<p>The Group has a printing division, a CGU that has property, plant and equipment ("PPE") with carrying amount of approximately RM9.8 million as at 31 January 2017.</p> <p>The fair value less costs of disposal model is used to assess the recoverable amount of the PPE. The fair value of the PPE is determined by the professional valuer and the management, applying the assumptions that a market participant would use to determine fair value.</p> <p>We focused on this area because there are indications of impairment in relation to the printing division of the Group and the inherent judgement involved in determining key assumptions used by the professional valuer and the management for the fair value of PPE.</p>	<p>Our procedures in relation to management's impairment assessment included:-</p> <ul style="list-style-type: none"> (a) We evaluated the independence, capabilities and objectivity of the professional valuer; (b) We made enquiries of and challenged the management on the key assumptions used in determining the fair value less costs of disposal; and (c) We also evaluated the valuation methodology and estimates used by the professional value.

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 other information 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 other information and, in doing so, consider whether the other information 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 this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KYM HOLDINGS BHD. (Incorporated in Malaysia) Company No: 84303-A (CONT'D)

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 materials 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 a 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 skepticism 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 Group's and the Company's internal control.
- 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 Group's or the Company's ability 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 achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance 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, related safeguards.

From the matters communicated with those charged with governance, 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 financial year and are therefore the key audit matters. We describe these matters in our auditor's 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 report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KYM HOLDINGS BHD. (Incorporated in Malaysia) Company No: 84303-A (CONT'D)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 49 on page 107 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

11 May 2017

Kuala Lumpur

Cheong Tze Yuan
Approval No: 3034/04/18 (J)
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AT 31 JANUARY 2017

		The Group		The Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	-	-	27,284	27,284
Other investments	6	2	186	-	184
Property, plant and equipment	7	53,168	58,800	76	107
Investment properties	8	41,262	39,220	-	-
Intangible asset	9	4,667	4,667	-	-
		99,099	102,873	27,360	27,575
CURRENT ASSETS					
Inventories	10	19,592	20,138	-	-
Trade receivables	11	18,532	22,016	-	-
Other receivables, deposits and prepayments	12	6,484	1,884	322	313
Amount owing by subsidiaries	13	-	-	37,372	61,933
Current tax assets		1,797	1,581	-	11
Short-term investment	14	1,161	5,011	1,161	5,011
Fixed deposits with licensed banks	15	267	267	-	-
Cash and bank balances		2,505	1,358	104	330
		50,338	52,255	38,959	67,598
TOTAL ASSETS		149,437	155,128	66,319	95,173
EQUITY AND LIABILITIES					
EQUITY					
Share capital	16	110,381	74,945	110,381	74,945
Share premium		-	35,436	-	35,436
Employees' share option reserve	17	853	884	853	884
Revaluation reserve	18	72	-	-	-
Accumulated losses		(19,410)	(20,077)	(76,645)	(82,087)
Equity attributable to owners of the Company		91,896	91,188	34,589	29,178
Non-controlling interests		(1)	(*)	-	-
TOTAL EQUITY		91,895	91,188	34,589	29,178
NON-CURRENT LIABILITIES					
Hire purchase payables	19	319	665	-	37
Term loans	20	1,586	5,251	-	1,000
Deferred tax liabilities	21	9,765	9,725	-	-
		11,670	15,641	-	1,037

The annexed notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AT 31 JANUARY 2017 (CONT'D)

		The Group		The Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
CURRENT LIABILITIES					
Trade payables	22	12,890	9,610	-	-
Other payables and accruals	23	9,138	10,099	423	421
Amount owing to subsidiaries	13	-	-	29,829	58,816
Amount owing to related parties	24	570	1,916	472	1,640
Amount owing to directors	25	77	135	-	-
Hire purchase payables	19	235	428	6	81
Short-term borrowings	26	20,272	19,719	1,000	4,000
Bank overdrafts	27	2,690	6,392	-	-
		45,872	48,299	31,730	64,958
TOTAL LIABILITIES		57,542	63,940	31,730	65,995
TOTAL EQUITY AND LIABILITIES		149,437	155,128	66,319	95,173

Note:

(*) represents (RM436)

The annexed notes form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

		The Group		The Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
REVENUE	28	96,003	99,171	-	-
COST OF SALES	29	(85,161)	(89,098)	-	-
GROSS PROFIT		10,842	10,073	-	-
OTHER INCOME	30	3,038	1,844	6,748	271
		13,880	11,917	6,748	271
SELLING AND DISTRIBUTION EXPENSES	31	(4,132)	(4,622)	-	-
ADMINISTRATIVE EXPENSES	32	(6,471)	(6,062)	(666)	(778)
OTHER EXPENSES	33	(958)	(1,012)	(244)	(78)
FINANCE COSTS	34	(1,659)	(2,398)	(427)	(790)
PROFIT/(LOSS) BEFORE TAXATION		660	(2,177)	5,411	(1,375)
INCOME TAX EXPENSE	36	(25)	937	-	132
PROFIT/(LOSS) AFTER TAXATION		635	(1,240)	5,411	(1,243)
OTHER COMPREHENSIVE INCOME, NET OF TAX	37				
<u>Item that Will Not be Reclassified</u>					
<u>Subsequently to Profit or Loss</u>					
Revaluation of property, plant and equipment		72	-	-	-
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE FINANCIAL YEAR		707	(1,240)	5,411	(1,243)

The annexed notes form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

	Note	The Group		The Company	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
PROFIT/(LOSS) AFTER TAXATION					
ATTRIBUTABLE TO:-					
Owners of the Company		636	(1,240)	5,411	(1,243)
Non-controlling interests		(1)	(^)	-	-
		635	(1,240)	5,411	(1,243)
TOTAL COMPREHENSIVE INCOME/(EXPENSES)					
ATTRIBUTABLE TO:-					
Owners of the Company		708	(1,240)	5,411	(1,243)
Non-controlling interests		(1)	(^)	-	-
		707	(1,240)	5,411	(1,243)
EARNINGS/(LOSS) PER SHARE (SEN)					
	38				
Basic		0.42	(0.83)		
Diluted		0.42	(0.83)		

Note:
(^) represents (RM171)

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

The Group	Note	Employees'			Attributable To Owners			Non-Controlling Interests	Total Equity
		Share Capital	Share Premium	Share Option Reserve	Revaluation Reserve	Accumulated Losses	Of The Company		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1.2.2015		74,945	35,436	884	-	(18,837)	92,428	(#)	92,428
Loss after taxation/Total comprehensive expenses for the financial year		-	-	-	-	(1,240)	(1,240)	(^)	(1,240)
Balance at 31.1.2016/1.2.2016		74,945	35,436	884	-	(20,077)	91,188	(*)	91,188
Profit/(Loss) after taxation for the financial year		-	-	-	-	636	636	(1)	635
Other comprehensive income for the financial year, net of tax:									
- Revaluation of property, plant and equipment	37	-	-	-	72	-	72	-	72
Total comprehensive income/(expenses) for the financial year		-	-	-	72	636	708	(1)	707
Contribution by and distribution to owners of the Company:									
- Employees' share options forfeited		-	-	(31)	-	31	-	-	-
Total transactions with owners		74,945	35,436	853	72	(19,410)	91,896	(1)	91,895
Transfer share premium to share capital upon implementation of the Companies Act 2016	16	35,436	(35,436)	-	-	-	-	-	-
Balance at 31.1.2017		110,381	-	853	72	(19,410)	91,896	(1)	91,895

Notes:

(#) represents (RM265)

(^) represents (RM171)

(*) represents (RM436)

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

	Note	Share Capital RM'000	Share Premium RM'000	Employees' Share Option Reserve RM'000	Accumulated Losses RM'000	Total Equity RM'000
The Company						
Balance at 1.2.2015		74,945	35,436	884	(80,844)	30,421
Loss after taxation/ Total comprehensive expenses for the financial year		-	-	-	(1,243)	(1,243)
Balance at 31.1.2016/1.2.2016		74,945	35,436	884	(82,087)	29,178
Profit after taxation/ Total comprehensive income for the financial year		-	-	-	5,411	5,411
Contribution by and distribution to owners of the Company: - Employees' share options forfeited		-	-	(31)	31	-
Total transaction with owners		74,945	35,436	853	(76,645)	34,589
Transfer share premium to share capital upon implementation of the Companies Act 2016	16	35,436	(35,436)	-	-	-
Balance at 31.1.2017		110,381	-	853	(76,645)	34,589

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

		The Group		The Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
Profit/(Loss) before taxation		660	(2,177)	5,411	(1,375)
Adjustments for:-					
Bad debts written off		10	4	29	-
Depreciation of property, plant and equipment		4,484	4,661	31	78
Dividend income		(80)	(164)	(2,080)	(164)
Fair value loss on investment properties		143	-	-	-
Fair value gain on other investments		-	(α)	-	-
Gain on disposal of other investments		(^)	-	-	-
(Gain)/Loss on disposal of property, plant and equipment		(205)	310	(104)	-
Impairment losses on other investments		184	-	184	-
Impairment losses on trade receivables		57	-	-	-
Inventories written off		25	-	-	-
Interest expense		1,659	2,398	427	790
Interest income		(13)	(41)	(12)	(107)
Reversal of allowance for impairment loss on amount owing by subsidiaries		-	-	(3,377)	-
Waiver of amount owing to a related party		(1,168)	-	(1,168)	-
Operating profit/(loss) before working capital changes		5,756	4,991	(659)	(778)
Decrease in inventories		521	11,689	-	-
(Increase)/Decrease in trade and other receivables		(1,182)	22	(9)	(53)
Increase/(Decrease) in trade and other payables		2,319	(11,616)	2	(314)
Decrease in amount owing by related parties		-	164	-	-
CASH FROM/(FOR) OPERATIONS		7,414	5,250	(666)	(1,145)
Income tax refunded		149	1,083	11	20
Income tax paid		(373)	(558)	-	(4)
Interest paid		(1,659)	(2,398)	(427)	(790)
NET CASH FROM/(FOR) OPERATING ACTIVITIES		5,531	3,377	(1,082)	(1,919)
CASH FLOW (FOR)/FROM INVESTING ACTIVITIES					
Proceeds from disposal of investment properties		-	9,000	-	4,500
Proceeds from disposal of other investments		*	-	-	-
Interest received		12	9	12	75
Dividend received		80	164	2,080	164
Proceeds from disposal of property, plant and equipment		596	350	104	-
Purchase of property, plant and equipment	39	(1,333)	(1,021)	-	(27)
Repayment from/(Advances to) subsidiaries		-	-	941	(1,017)
Withdrawal of fixed deposits with licensed banks		-	155	-	-
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(645)	8,657	3,137	3,695
Balance carried forward		4,886	12,034	2,055	1,776

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

		The Group		The Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Balance brought forward		4,886	12,034	2,055	1,776
CASH FLOWS FOR FINANCING ACTIVITIES					
(Repayment to)/Advances from related parties		(178)	389	-	(150)
Repayment to directors		(58)	-	-	-
Net drawdown/(repayment) of bills payable		4,135	(4,463)	-	-
Repayment of hire purchase obligations		(539)	(1,381)	(112)	(81)
Repayment of term loans		(6,471)	(6,428)	(4,000)	(4,000)
Net drawdown of bankers' acceptances		304	270	-	-
Net (repayment)/drawdown of revolving credit		(1,080)	190	-	-
(Repayment to)/Advances from subsidiaries		-	-	(2,019)	4,109
NET CASH FOR FINANCING ACTIVITIES		(3,887)	(11,423)	(6,131)	(122)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		999	611	(4,076)	1,654
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		(23)	(634)	5,341	3,687
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	40	976	(23)	1,265	5,341

Notes:

(α) represents (RM380)

* represents RM481

(^) represents (RM70)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 2016 in Malaysia. The domicile of the Company is Malaysia. The registered office, which is also the principal place of business, is at No. 12, Lorong Medan Tuanku Satu, 50300 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 11 May 2017.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

- 3.1 During the current financial year, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

MFRS 14 Regulatory Deferral Accounts
 Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities - Applying the Consolidation Exception
 Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations
 Amendments to MFRS 101: Disclosure Initiative
 Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
 Amendments to MFRS 116 and MFRS 141: Agriculture - Bearer Plants
 Amendments to MFRS 127: Equity Method in Separate Financial Statements
 Annual Improvements to MFRSs 2012 - 2014 Cycle

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements.

- 3.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018*
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

3. BASIS OF PREPARATION (CONT'D)

- 3.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year (Cont'd):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 140 - Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 - 2016 Cycles:	
• Amendments to MFRS 12: Clarification of the Scope of Standard	1 January 2017
Annual Improvements to MFRS Standards 2014 - 2016 Cycles:	
• Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters	
• Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

* *Entities that meet the specific criteria in MFRS 4.20B may choose to defer the application of MFRS 9 until the earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.*

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application except as follows:-

- (a) MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. Therefore, it is expected that the Group's investments in unquoted shares that are currently stated at cost less accumulated impairment losses will be measured at fair value through other comprehensive income upon the adoption of MFRS 9. The Group is currently assessing the financial impact of adopting MFRS 9.
- (b) MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this accounting standard. In addition, extensive disclosures are also required by MFRS 15. The Group anticipates that the application of MFRS 15 in the future may have an impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 15 until the Group performs a detailed review.
- (c) MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current guidance on lease accounting when it becomes effective. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their leased assets and the related lease obligations in the statement of financial position (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The Company anticipates that the application of MFRS 16 in the future may have an impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 16 until the Company performs a detailed review.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

3. BASIS OF PREPARATION (CONT'D)

3.2 The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application except as follows (Cont'd):-

- (d) The amendments to MFRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Accordingly, there will be no financial impact on the financial statements of the Company upon its initial application. However, additional disclosure notes on the statements of cash flows may be required.
- (e) IC Interpretation 22 clarifies that the date of initial recognition of a non-monetary prepayment asset or deferred income liability is considered as the date of transaction for the purpose of determining the exchange rate of MFRS 121. If there are multiple payments or receipts in advance, the date of transaction shall be established for each payment or receipt. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 15 until the Group performs a detailed review.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made.

(c) Impairment of Non-financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value in use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(d) Classification between Investment Properties and Owner-occupied Properties

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(e) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(f) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(g) Impairment of Available-for-sale Financial Assets

The Group reviews its available-for-sale financial assets at the end of each reporting period to assess whether they are impaired. The Group also records impairment loss on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

(h) Fair Value Estimates for Investment Properties

The Group carries investment properties at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these investment properties would affect profit and/or equity.

(i) Classification of Leasehold Land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(j) Share-based Payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity investments at the date at which they are granted. The estimating of the fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option volatility and dividend yield and making assumptions about them.

(k) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

(l) Fair Value Estimates for Certain Financial Assets and Financial Liabilities

The Group carries certain financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

4.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, 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 accessing 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.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidation financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

(b) Non-controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) Changes in Ownership Interests in Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4.3 GOODWILL

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

4.4 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional and presentation currency.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FUNCTIONAL AND FOREIGN CURRENCIES (CONT'D)

(b) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

4.5 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

(i) Financial Assets at Fair Value through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

Financial assets at fair value through profit or loss could be presented as current assets or non-current assets. Financial assets that are held primarily for trading purposes are presented as current assets whereas financial assets that are not held primarily for trading purposes are presented as current assets or non-current assets based on the settlement date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

(ii) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

(iii) Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

(iv) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

(ii) Other Financial Liabilities

Other financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(c) Equity Instruments

Equity instruments classified as equity are measured at cost and are not remeasured subsequently. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(d) 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 the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity 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 or cancelled or expires. 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.

(e) 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 specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Group designates corporate guarantees given to financial institutions for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 Insurance Contracts. The Group recognises these corporate guarantees as liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statements of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

4.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and impairment losses, if any.

Freehold land is stated at cost less any accumulated impairment loss, and is not depreciated.

Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Leasehold land	Over the lease period ranged from 45 to 91 years
Buildings	2%
Plant and machinery	6.7% - 20%
Forklifts, tools and equipment and production accessories	10% - 50%
Motor vehicles	10% - 20%
Office equipment, furniture and fittings, renovation and electrical installation	10% - 20%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and 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.

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use. Cost of capital work-in-progress includes direct cost, related expenditure and interest cost on borrowings taken to finance the construction or acquisition of the assets to the date that the assets are completed and put into use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 IMPAIRMENT

(a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be an objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale debts instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow using a pre-tax discount rate. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 FINANCE LEASED ASSETS

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

4.10 INVESTMENT PROPERTIES

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Initially investment properties are measured at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property or inventories, the fair value at the date of change becomes the cost for subsequent accounting purposes. If owner-occupied property becomes an investment property, such property shall be accounted for in accordance with the accounting policy for property up to date of change in use.

4.11 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition. Cost of finished goods and work-in-progress includes the cost of materials, labour and an appropriate proportion of production overheads.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

4.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 BORROWING COSTS

Borrowing costs that directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

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

4.14 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

4.15 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in the profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(c) Share-based Payment Transactions

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Company (knowns as "share options").

At grant date, the fair value of the share options is recognised as an expense on a straight-line method over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding credit to employee share option reserve in equity. The amount recognised as an expense is adjusted to reflect the actual number of the share options that are expected to vest. Service and non-market performance conditions attached to the transaction are not taken into account in determining the fair value.

In the Company's separate financial statements, the grant of the share options to the subsidiaries' employees is not recognised as an expense. Instead, the fair value of the share options measured at the grant date is accounted for as an increase to the investment in subsidiary undertaking with a corresponding credit to the employee share option reserve.

Upon expiry of the share option, the employee share option reserve is transferred to retained profits.

When the share options are exercised, the employee share option reserve is transferred to share capital or share premium if new ordinary shares are issued.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

(c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of GST. However, when the GST incurred are related to purchases of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

Receivables and payables are stated with the amount of GST included (where applicable).

The net amount of GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.17 FAIR VALUE MEASUREMENTS

Fair value is 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, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction 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. However, this basis does not apply to share-based payment transactions.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

4.18 OPERATING LEASED ASSETS

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the Group's statement of financial position.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line method over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line method. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

4.19 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.20 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. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4.21 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

4.22 REVENUE AND OTHER INCOME

(a) Sale of Goods

Revenue is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns, GST and trade discounts.

(b) Services

Revenue is recognised upon rendering of services.

(c) Interest Income

Interest income is recognised on an accrual basis, based on the effective yield on the investment.

(d) Rental Income

Rental income is recognised on an accrual basis.

(e) Dividend Income

Dividend income from investment is recognised when the right to receive dividend payment is established.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

5. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2017	2016
	RM'000	RM'000
Unquoted shares, at cost	75,590	75,590
Accumulated impairment losses	(48,306)	(48,306)
	27,284	27,284

Details of the subsidiaries, all of which the principal place of business is in Malaysia, are as follows:-

Name of Subsidiary	Percentage of Issued Share Capital Held by Parent		Principal Activities
	2017	2016	
KYM Industries (M) Sdn. Bhd.	100%	100%	Manufacturing and sale of corrugated fibre boards and boxes.
Anabatic Sdn. Bhd. ⁽¹⁾	100%	100%	Property investment.
KYM Industries (Penang) Sdn. Bhd. ⁽¹⁾	100%	100%	Dormant.
Teguh Amalgamated Sdn. Bhd. ⁽¹⁾	100%	100%	Property investment.
KCP Carton Sdn. Bhd. ⁽¹⁾	100%	100%	Dormant.
KYM Industries (Johor) Sdn. Bhd.	100%	100%	Dormant.
Panorama Industries Sdn. Bhd. ⁽²⁾	100%	100%	Dormant.
KYM Industries (BP) Sdn. Bhd.	95%	95%	Dormant.
KYM Maju Sdn. Bhd.	100%	100%	Dormant.
KYM Industries (Melaka) Sdn. Bhd.	100%	100%	Dormant.
Polypulp Enterprises Sdn. Bhd.	100%	100%	Investment holding.
Tegas Consolidated Sdn. Bhd. ⁽³⁾	100%	100%	Investment holding.
Harta Makmur Sdn. Bhd. * ⁽⁴⁾	100%	100%	Property investment and development.
Teluk Rubiah Resorts Sdn. Bhd. ⁽⁵⁾	100%	100%	Dormant.
Teluk Rubiah Country Club Sdn. Bhd. ⁽⁵⁾	100%	100%	Dormant.
Suria Makmur Development Sdn. Bhd. ⁽⁵⁾	100%	100%	Dormant.
Hasrat Meranti Capital Sdn. Bhd.	100%	100%	Dormant.
KYM Properties Sdn. Bhd.	100%	100%	Property management.
KYM Built Sdn. Bhd. ⁽⁶⁾	100%	100%	Dormant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries, all of which the principal place of business is in Malaysia, are as follows (Cont'd):-

Name of Subsidiary	Percentage of Issued Share Capital Held by Parent		Principal Activities
	2017	2016	
KYM Development (Perak) Sdn. Bhd. ⁽⁶⁾	100%	100%	Property investment.
KYM Leisure Sdn. Bhd. ⁽⁶⁾	100%	100%	Dormant.
Austin Capital Sdn. Bhd. ⁽⁶⁾	100%	100%	Dormant.
KMG Assets Sdn. Bhd.	100%	100%	Providing management services.
Hasrat Meranti Sdn. Bhd.	100%	100%	Investment holding and manufacturing and sale of multi-wall industrial paper bags.
Hasrat Meranti (Chemor) Sdn. Bhd. ⁽⁷⁾	100%	100%	Manufacturing and sale of multi-wall industrial paper bags.
Hasrat Meranti (Tapah) Sdn. Bhd. ⁽⁷⁾	100%	100%	Manufacturing and sale of multi-wall industrial paper bags.
KYM Mineral Sdn. Bhd.	100%	100%	Dormant.

* The unquoted shares in this subsidiary have been pledged to licensed banks as security for banking facilities granted to the Company.

⁽¹⁾ 100% interest held by KYM Industries (M) Sdn. Bhd.

⁽²⁾ 100% interest held by KYM Industries (Johor) Sdn. Bhd.

⁽³⁾ 100% interest held by Polypulp Enterprises Sdn. Bhd.

⁽⁴⁾ 60% and 40% interest held by Tegas Consolidated Sdn. Bhd. and the Company respectively.

⁽⁵⁾ 100% interest held by Harta Makmur Sdn. Bhd.

⁽⁶⁾ 100% interest held by KYM Properties Sdn. Bhd.

⁽⁷⁾ 100% interest held by Hasrat Meranti Sdn. Bhd.

(a) The Company assessed the recoverable amount of the investments in subsidiaries and determined that an impairment loss should be recognised as the recoverable amount is lower than the carrying amount. The recoverable amount of the investments is determined based on estimated fair value of the subsidiaries as at end of the reporting period.

(b) The non-controlling interests information at the end of the reporting period are immaterial to the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

6. OTHER INVESTMENTS

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Quoted shares, at fair value	2	2	-	-
Unquoted shares, at cost	184	184	184	184
Allowance for impairment losses	(184)	-	(184)	-
	-	184	-	184
	2	186	-	184

- (a) Investment in quoted shares of the Group are designated as financial assets at fair value through profit or loss and are measured at fair value.
- (b) In the previous financial year, investment in unquoted shares of the Group and of the Company was designated as available-for-sale financial assets but was stated at net assets position of the investments as deemed cost at the date of dilution as its fair value cannot be reliably measured using valuation techniques due to the lack of marketability of the shares.
- (c) The Group and the Company assessed the recoverable amount of the unquoted shares investments and determined that an impairment loss should be recognised as the recoverable amount is lower than the carrying amount.

7. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Leasehold Land	Buildings	Plant And Machinery	Forklifts, Tools And Equipment And Production Accessories	Motor Vehicles	Other Assets #	Capital Work-in Progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Group									
<i>Net Book Value</i>									
At 1.2.2016	4,460	8,338	16,670	26,268	909	892	1,014	249	58,800
Additions	-	-	-	-	310	-	153	870	1,333
Transfers	-	-	1,119	-	-	-	-	(1,119)	-
Transfer to investment properties (Note 8)	-	-	(2,090)	-	-	-	-	-	(2,090)
Disposals	-	-	-	(245)	-	(146)	-	-	(391)
Depreciation charge for the financial year	-	(118)	(303)	(3,339)	(359)	(142)	(223)	-	(4,484)
At 31.1.2017	4,460	8,220	15,396	22,684	860	604	944	-	53,168

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold Land RM'000	Leasehold Land RM'000	Buildings RM'000	Plant And Machinery RM'000	Forklifts, Tools And Equipment And Production Accessories RM'000	Motor Vehicles RM'000	Other Assets # RM'000	Capital Work-in Progress RM'000	Total RM'000
The Group									
<i>Net Book Value</i>									
At 1.2.2015	4,460	8,456	16,989	29,593	1,037	435	1,165	-	62,135
Additions	-	-	-	444	302	918	73	249	1,986
Disposals	-	-	-	(385)	-	(275)	-	-	(660)
Depreciation charge for the financial year	-	(118)	(319)	(3,384)	(430)	(186)	(224)	-	(4,661)
At 31.1.2016	4,460	8,338	16,670	26,268	909	892	1,014	249	58,800

	Freehold Land RM'000	Leasehold Land RM'000	Buildings RM'000	Plant And Machinery RM'000	Forklifts, Tools And Equipment And Production Accessories RM'000	Motor Vehicles RM'000	Other Assets # RM'000	Capital Work-in Progress RM'000	Total RM'000
The Group									
2017									
Cost	4,460	9,087	17,518	37,815	3,278	1,726	5,674	-	79,558
Accumulated depreciation	-	(867)	(2,122)	(15,131)	(2,418)	(1,122)	(4,730)	-	(26,390)
Net book value	4,460	8,220	15,396	22,684	860	604	944	-	53,168
2016									
Cost	4,460	9,087	18,666	38,800	2,968	2,482	5,521	249	82,233
Accumulated depreciation	-	(749)	(1,996)	(12,532)	(2,059)	(1,590)	(4,507)	-	(23,433)
Net book value	4,460	8,338	16,670	26,268	909	892	1,014	249	58,800

Note:

- Other assets comprise office equipment, furniture and fittings, renovation and electrical installation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Motor Vehicles RM'000	Other Assets* RM'000	Total RM'000
The Company			
<i>Net Book Value</i>			
At 1.2.2016	^	107	107
Depreciation charge for the financial year	-	(31)	(31)
At 31.1.2017	^	76	76
<i>Net Book Value</i>			
At 1.2.2015	45	113	158
Addition	-	27	27
Depreciation charge for the financial year	(45)	(33)	(78)
At 31.1.2016	^	107	107
2017			
Cost	834	1,039	1,873
Accumulated depreciation	(834)	(963)	(1,797)
Net book value	^	76	76
2016			
Cost	1,181	1,040	2,221
Accumulated depreciation	(1,181)	(933)	(2,114)
Net book value	-	107	107

Notes:

* - Other assets consist of office equipment, furniture fittings and renovation.

^ represents RM1.

- (a) Included in the net book value of property, plant and equipment at the end of the reporting period are the following assets pledged to financial institutions as security for banking facilities granted to the Group:-

	The Group	
	2017	2016
	RM'000	RM'000
Freehold land	4,460	4,460
Leasehold land	6,228	6,324
Buildings	10,980	10,672
Plant and machinery	12,036	13,136
Production accessories	4	-
Other assets	105	116
Capital work-in-progress	-	125
	33,813	34,833

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (b) Included in the net book value of property, plant and equipment at the end of the reporting period are the following assets acquired under hire purchase terms:-

	The Group	
	2017	2016
	RM'000	RM'000
Plant and machinery	512	815
Motor vehicles	573	853
	1,085	1,668

8. INVESTMENT PROPERTIES

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
At fair value:-				
At 1 February 2016/2015	39,220	48,220	-	4,500
Transfer from property, plant and equipment (Note 7)	2,090	-	-	-
Revaluation (Note 37)	95	-	-	-
Fair value loss	(143)	-	-	-
Disposals	-	(9,000)	-	(4,500)
At 31 January	41,262	39,220	-	-

- (a) Included in the net book value of the investment properties at the end of the reporting period pledged to financial institutions for credit facilities granted to the Company and certain subsidiaries are as follows:-

	The Group	
	2017	2016
	RM'000	RM'000
Investment properties	26,442	24,400

- (b) The investment properties comprise the following:-

	The Group	
	2017	2016
	RM'000	RM'000
Leasehold land	39,220	39,220
Building	2,042	-
	41,262	39,220

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

8. INVESTMENT PROPERTIES (CONT'D)

(c) The following are recognised in profit or loss in respect of investment properties:-

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Rental income	275	-	-	-
Direct operating expenses from the investment properties that did not generate income	286	264	-	11

(d) Investment properties are stated at fair value which have been determined based on valuations performed by professional valuers at the end of the reporting date using the market value approach. Market value is an estimated amount for which property should be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. This approach seeks to determine the value of the property by comparing recent transactions and asking prices for similar properties in which the values are adjusted for differences in key attributes such as property size, planning provisions, tenure, title restriction and other relevant factors.

The fair value of the investment properties are within level 2 of the fair value hierarchy.

There were no transfers between level 1 and 2 during the financial year.

(e) The Company and its subsidiaries, Panorama Industries Sdn. Bhd. and KYM Industries (Johor) Sdn. Bhd., entered into conditional Sale and Purchase Agreements with two purchasers for the disposal of two investment properties for a cash consideration of RM4,500,000 each. The disposal of the investment properties was completed in the previous financial year.

9. INTANGIBLE ASSET

	The Group	
	2017	2016
	RM'000	RM'000
Goodwill on consolidation	6,392	6,392
Accumulated impairment loss	(1,725)	(1,725)
	4,667	4,667

(a) The carrying amount of goodwill is allocated to Hasrat Meranti Sdn. Bhd. and its subsidiaries, a cash-generating unit.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

9. INTANGIBLE ASSET (CONT'D)

- (b) The Group has assessed the recoverable amount of the goodwill allocated and determined that no additional impairment loss on goodwill is required. The recoverable amount of the cash-generating unit is determined using the value in use approach, and this is derived from the present value of the future cash flows from cash-generating unit computed based on the projections of financial budgets approved by management covering a period of ten years. The key assumptions used in the determination of the recoverable amounts are as follows:-

Gross margin	Between 12.7% and 13.0%
Growth rate	Between 1.0% and 11.4%
Discount rate	8.42%
(i) Budgeted gross profit margin	The basis used to determine the value assigned to the budgeted gross profit margin is the gross profit margin achieved in the current financial year.
(ii) Growth rate	Based on the expected projections of the manufacturing and sale of multi-wall industrial paper bags.
(iii) Discount rate (pre-tax)	The discount rate used is the pre-tax weighted average cost of capital of the Company obtained from Bloomberg as at 31 January 2017.

The Board of Directors believe that no reasonable change in the above key assumptions would cause the carrying amount of the goodwill to exceed its recoverable amounts.

10. INVENTORIES

	The Group	
	2017	2016
	RM'000	RM'000
Raw materials	14,893	16,609
Work-in-progress	245	191
Finished goods	3,716	2,868
Consumables	738	470
	19,592	20,138
<u>Recognised in profit or loss</u>		
Inventories recognised as cost of sales	69,358	70,848
Inventories written off	25	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

11. TRADE RECEIVABLES

	The Group	
	2017 RM'000	2016 RM'000
Trade receivables	19,368	22,795
Allowance for impairment losses	(836)	(779)
	18,532	22,016
Allowance for impairment losses:-		
At 1 February 2016/2015	(779)	(1,875)
Addition during the financial year	(57)	-
Write-off during the financial year	-	1,096
At 31 January	(836)	(779)

- (a) The Group's normal trade credit terms range from 14 to 180 days (2016 - 14 to 180 days).
- (b) The allowance for impairment losses is mainly in respect of trade receivables in significant financial difficulties and have defaulted on payments.

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other receivables	751	606	140	118
Deposits	5,249	805	146	171
Prepayments	484	473	36	24
	6,484	1,884	322	313

Included in other receivables, deposits and prepayments of the Group at the end of the reporting period is a deposit paid for the acquisition of machinery and equipment amounting to RM4,508,382.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

13. AMOUNTS OWING BY/(TO) SUBSIDIARIES

	The Company 2017 RM'000	2016 RM'000
Amount owing by subsidiaries	57,507	106,565
Allowance for impairment losses	(20,135)	(44,632)
	37,372	61,933
Allowance for impairment losses:-		
At 1 February 2016/2015	(44,632)	(44,632)
Reversal during the financial year	3,377	-
Write-off during the financial year	21,120	-
At 31 January	(20,135)	(44,632)

	The Company 2017 RM'000	2016 RM'000
Amount owing to subsidiaries	(29,829)	(58,816)

- (a) The amounts owing are non-trade in nature, unsecured, interest-free and repayable on demand. The amounts owing are to be settled in cash.
- (b) The allowance for impairment losses is mainly in respect of subsidiaries in significant financial difficulties and have defaulted on payments.

14. SHORT-TERM INVESTMENT

	The Group/The Company 2017 RM'000	2016 RM'000
Wholesale money market fund in Malaysia	1,161	5,011
Market value of short-term investment	1,227	5,065

Short-term investment is designated as fair value through profit or loss financial asset and is measured at fair value.

15. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits with licensed banks of the Group are pledged to licensed banks for banking facilities granted to certain subsidiaries.

The weighted average interest rate of the fixed deposits at the end of the reporting period was 3.11% (2016 - 3.13%) per annum. The fixed deposits have maturity periods ranging from 1 month to 3 years (2016 - 1 month to 3 years).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

16. SHARE CAPITAL

	2017		2016	
	Number of Shares '000	Share Capital RM'000	Number of Shares '000	Share Capital RM'000
Issued and Fully Paid-Up				
Ordinary Shares with No Par Value (2016 - Par Value of RM0.50 Each)				
At 1 February	149,890	74,945	149,890	74,945
Transfer from share premium account upon implementation of the Companies Act 2016	-	35,436	-	-
At 31 January	149,890	110,381	149,890	74,945

On 31 January 2017, the concepts of authorised share capital and par value of share capital were abolished in accordance with the Companies Act 2016. Consequently, the amount standing to the credit of the Company's share premium account became part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Companies Act 2016. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

17. EMPLOYEES' SHARE OPTION RESERVE

The employees' share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

The Employees' Share Option Scheme ("ESOS") of the Company is governed by the ESOS By-Laws and was approved by shareholders on 13 April 2010. The ESOS is to be in force for a period of 5 years effective from 16 May 2010.

The board of directors of the Company has on 13 May 2015 approved the extension of the duration of the ESOS for a further 5 years pursuant to the ESOS By-Laws of the Company. The expiry date of the ESOS is revised to 15 May 2020.

The main features of the ESOS are as follows:-

- Eligible persons are employees and/or directors of the Group, save for companies which are dormant, who have been confirmed in the employment of the Group and have served for at least 3 years on the date of the offer.
- The maximum number of new shares of the Company, which may be available under the scheme, shall not exceed in aggregate 15%, or any such amount or percentage as may be permitted by the relevant authorities of the issued and paid-up share capital of the Company at any one time during the existence of the ESOS.
- The option price shall be determined by the Option Committee based on the 5-day weighted average market price of ordinary shares of the Company immediately preceding the offer date of the option, with a discount of not more than 10%, or at the par value of shares of the Company, whichever is higher.
- The option may be exercised by the grantee by notice in writing to the Company in the prescribed form during the option period in respect of all or any part of the new ordinary shares of the Company comprised in the ESOS.
- All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company, provided always that new ordinary shares so allotted and issued, will not be entitled to any dividends, rights, allotments and/or other distributions declared, where the entitlement date of which is prior to date of allotment and issuance of the new shares.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

17. EMPLOYEES' SHARE OPTION RESERVE (CONT'D)

The option prices and the details in the movement of the options granted are as follows:-

Date of Offer	Exercise Price	Number of Options over Ordinary Shares				At 31.1.2017
		At 1.2.2016	Granted	Exercised	Forfeited	
26 May 2010	RM0.90	2,935,000	-	-	(92,000)	2,843,000

The ESOS granted expire on 15 May 2020 and are exercisable if the employee remains in service during the term of the ESOS.

The fair values of the share options granted were estimated using the Black Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The fair values of the share options measured at grant date and the assumptions used are as follows:-

	At Exercise Price of RM0.50 Each
Fair value of share options at the grant date (RM)	0.30
Closing share price (RM)	0.99
Exercise price (RM)	0.90
Expected volatility (%)	20
Expected life (years)	5
Risk free rate (%)	3.63
Expected dividend yield (%)	-

18. REVALUATION RESERVE

The revaluation reserve represented as the surplus arising from a transfer of an owner-occupied building to an investment property and is not distributed by way of cash dividends.

19. HIRE PURCHASE PAYABLES

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Minimum hire purchase payments:				
- not later than one year	263	490	7	96
- later than one year and not later than five years	350	740	-	44
	613	1,230	7	140
Less: Future finance charges	(59)	(137)	(1)	(22)
Present value of hire purchase payables	554	1,093	6	118

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

19. HIRE PURCHASE PAYABLES (CONT'D)

The net hire purchase payables are repayable as follows:-

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<u>Current</u>				
Not later than one year	235	428	6	81
<u>Non-Current</u>				
Later than one year and not later than five years	319	665	-	37
	554	1,093	6	118

Included in the hire purchase payables of the Group is an amount of approximately RM80,200 (2016 - RM104,260) secured by a guarantee of the directors of certain subsidiaries.

20. TERM LOANS

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<u>Current</u>				
Not later than one year (Note 26)	3,659	6,465	1,000	4,000
<u>Non-Current</u>				
Later than one year and not later than two years	487	3,656	-	1,000
Later than two years and not later than five years	743	974	-	-
Later than five years	356	621	-	-
Total non-current portion	1,586	5,251	-	1,000
	5,245	11,716	1,000	5,000

(a) The term loans of the Group (other than the portion of the Company) are secured in the same manner as the bills payable as disclosed in Note 26 to the financial statements.

(b) The term loan of the Company is secured by:-

- (i) a legal charge over the leasehold land of a subsidiary;
- (ii) legal charges over the freehold land and building of a subsidiary; and
- (iii) a Memorandum of Deposit over the unquoted shares of a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

21. DEFERRED TAX LIABILITIES

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
At 1 February 2016/2015	9,725	10,692	-	132
Recognised in profit or loss (Note 36)	17	(967)	-	(132)
Recognised in other comprehensive income (Note 37)	23	-	-	-
At 31 January	9,765	9,725	-	-
The deferred tax consists of the tax effects of the following items:-				
Deferred tax liabilities:-				
Accelerated capital allowances	3,916	3,532	-	-
Revaluation arising from deemed cost property	1,083	1,136	-	-
Revaluation arising from deemed cost plant and machinery	812	988	-	-
Fair value changes of investment properties	5,796	5,796	-	-
Revaluation arising from a transfer of owner-occupied building to an investment property	23	-	-	-
	11,630	11,452	-	-
Deferred tax assets:-				
Allowance for impairment losses	(240)	(240)	-	-
Accrual for bonus	(72)	(55)	-	-
Unutilised tax losses	(945)	(638)	-	-
Unabsorbed capital allowances	(608)	(794)	-	-
	(1,865)	(1,727)	-	-
	9,765	9,725	-	-

22. TRADE PAYABLES

The normal credit terms of trade payables range from 30 to 90 days (2016 - 30 to 90 days).

23. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Accrued quit rent	4,261	4,253	-	-
Deposits received	19	19	-	-
Other payables	4,858	5,827	423	421
	9,138	10,099	423	421

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

24. AMOUNT OWING TO RELATED PARTIES

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Amount owing to related parties	570	1,916	472	1,640

- (a) Related parties refer to persons connected to a director and/or a key management personnel and companies in which certain directors and persons connected to a director and/or a key management personnel are common directors and/or have substantial financial interests.
- (b) The non-trade balances represent unsecured interest-free advances and payments made on behalf.
- (c) The amount owing is repayable on demand and is to be settled in cash.

25. AMOUNT OWING TO DIRECTORS

The amount owing is non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

26. SHORT-TERM BORROWINGS

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Secured:-				
Revolving credit	2,330	3,410	-	-
Bankers' acceptances	574	270	-	-
Bills payable	13,709	9,574	-	-
Term loans (Note 20)	3,659	6,465	1,000	4,000
	20,272	19,719	1,000	4,000

The bills payable, bankers' acceptances and revolving credit are secured by:-

- (i) legal charges over the freehold land, leasehold land and buildings of certain subsidiaries;
- (ii) a debenture incorporating fixed and floating charges over the assets of a subsidiary; and
- (iii) a corporate guarantee of the Company.

27. BANK OVERDRAFTS

The bank overdrafts are secured in the same manner as the bills payable disclosed in Note 26 to the financial statements except for an amount of RM439,967 (2016 - RM462,254) which is additionally secured by a pledge of the fixed deposits of the Group.

28. REVENUE

Revenue of the Group represents the invoiced value of goods sold less trade discounts and returns.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

29. COST OF SALES

	The Group	
	2017	2016
	RM'000	RM'000
Included in cost of sales are:-		
Staff costs:		
- salaries and other benefits	5,989	6,716
- defined contribution plan	330	405
Depreciation of property, plant and equipment	4,012	4,151
Rental of factory	1,084	1,084
Rental of hostel	2	7

30. OTHER INCOME

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Included in other income are:-				
Dividend income	80	164	2,080	164
Interest income	13	41	12	107
Waiver of amount owing to a related party	1,168	-	1,168	-
Fair value gain on other investments	-	α	-	-
Gain on disposal of property, plant and equipment	255	62	104	-
Gain on disposal of other investments	^	-	-	-
Reversal of allowance for impairment loss on amounts owing by subsidiaries	-	-	3,377	-
Rental income	715	-	-	-
Realised gain on foreign exchange	162	600	-	-

Notes:

^ represents RM70

α represents RM380

31. SELLING AND DISTRIBUTION EXPENSES

	The Group	
	2017	2016
	RM'000	RM'000
Included in selling and distribution expenses are:-		
Staff costs:		
- salaries and other benefits	944	1,116
- defined contribution plan	86	113

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

32. ADMINISTRATIVE EXPENSES

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Included in administrative expenses are:-				
Rental of:				
- premises	34	34	226	226
- equipment	22	18	18	13
- hostel	57	85	-	-
Staff costs:				
- salaries and other benefits	2,745	3,006	-	-
- defined contribution plan	328	348	-	-
- benefits-in-kind	29	12	-	-

33. OTHER EXPENSES

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Included in other expenses are:-				
Depreciation of property, plant and equipment	472	510	31	78
Impairment losses on:				
- other investments	184	-	184	-
- trade receivables	57	-	-	-
Inventories written off	25	-	-	-
Fair value loss on investment properties	143	-	-	-
Loss on disposal of property, plant and equipment	50	372	-	-
Bad debts written off	10	4	29	-
Realised loss on foreign exchange	17	124	-	-

34. FINANCE COSTS

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Interest of:				
- hire purchase	66	146	21	15
- term loan	834	1,381	406	775
- overdrafts	192	244	-	-
- bankers' acceptances	22	38	-	-
- bills payable	539	511	-	-
- others	6	78	-	-
	1,659	2,398	427	790

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

35. DIRECTORS' REMUNERATION

The aggregate amount of remuneration received and receivable by the directors of the Group and of the Company during the financial year were as follows:-

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Non-Executive directors:				
- fee	104	109	104	109
Executive directors:				
- salaries and other benefits	132	132	-	-
- defined contribution plan	16	16	-	-
	148	148	-	-
	252	257	104	109

36. INCOME TAX EXPENSE

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Current tax:				
- underprovision of current tax in the previous financial year	8	30	-	-
Deferred tax (Note 21):				
- relating to origination and reversal of temporary differences	113	(490)	-	(132)
- effect of change in corporate income tax rate from 25% to 24% on deferred tax	-	(135)	-	-
- overprovision in the previous financial year	(96)	(342)	-	-
	17	(967)	-	(132)
	25	(937)	-	(132)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

36. INCOME TAX EXPENSE (CONT'D)

The reconciliation of income tax expense applicable to the profit/(loss) before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company are as follows:-

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before taxation	660	(2,177)	5,411	(1,375)
Tax at the statutory tax rate of 24%	158	(522)	1,299	(330)
Tax effects of:-				
Non-taxable income	(18)	(#)	(1,108)	-
Non-deductible expenses	1,404	814	211	330
Deferred tax assets not recognised during the financial year	21	83	-	-
Utilisation of deferred tax assets not recognised in the previous financial year	(1,452)	(642)	(402)	-
Effect of change in corporate income tax rate from 25% to 24% on deferred tax	-	(135)	-	-
Reversal of temporary difference relating to deferred tax	-	(223)	-	(132)
Under/(Over)provision in the previous financial year:				
- current tax	8	30	-	-
- deferred tax	(96)	(342)	-	-
Income tax expense for the financial year	25	(937)	-	(132)

Note:

(#) represents (RM44)

Subject to agreement with the tax authorities, the Group and the Company have unabsorbed reinvestment allowances, unutilised tax losses and unabsorbed capital allowances respectively available at the end of the reporting period to be carried forward for offset against future taxable business income:-

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Unabsorbed capital allowances	15,071	14,924	813	836
Unabsorbed reinvestment allowances	9,129	9,129	-	-
Unutilised tax losses	41,008	47,133	1,298	2,949
Accrual of bonus	46	32	-	-
	65,254	71,218	2,111	3,785

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

37. OTHER COMPREHENSIVE INCOME

	The Group 2017 RM'000	2016 RM'000
Item that Will Not be Reclassified Subsequently to Profit or Loss		
Revaluation of property, plant and equipment (Note 8)	95	-
Less: Deferred tax liabilities (Note 21)	(23)	-
	72	-

38. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing profit/(loss) for the financial year, by the weighted average number of ordinary shares outstanding during the financial year.

Dilutive loss per share is calculated by dividing loss for the financial year by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

The following reflect the loss and share data used in the computation of basic and dilutive loss per share for the financial year ended 31 January:

	The Group 2017	2016
Earnings/(Loss) attributable to shareholders (RM'000)	635	(1,240)
Weighted average number of ordinary shares ('000)	149,890	149,890
Basic earnings/(loss) per share (sen)	0.42	(0.83)
Diluted earnings/(loss) per share (sen)	0.42	(0.83)

The diluted earnings/(loss) per share of the Group in both financial years is the same as basic earnings/(loss) per share as the assumed conversion from the exercise of Employees' Share Options would be anti-dilutive.

39. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	The Group 2017 RM'000	2016 RM'000	The Company 2017 RM'000	2016 RM'000
Cost of property, plant and equipment purchased	1,333	1,986	-	27
Amount financed through hire purchase	-	(965)	-	-
Cash disbursed for purchase of property, plant and equipment	1,333	1,021	-	27

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

40. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with licensed banks	267	267	-	-
Short-term investment	1,161	5,011	1,161	5,011
Cash and bank balances	2,505	1,358	104	330
Bank overdrafts (Note 27)	(2,690)	(6,392)	-	-
	1,243	244	1,265	5,341
Less:-				
Deposits pledged to licensed banks	(267)	(267)	-	-
	976	(23)	1,265	5,341

41. RELATED PARTY DISCLOSURES

41.1 Identities of Related Parties

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.

The Group and/or the Company have related party relationships with:-

- (a) its subsidiaries as disclosed in Note 5 to the financial statements;
- (b) the directors who are the key management personnel;
- (c) companies in which certain directors and/or persons connected to a director and/or a key management personnel are common directors and/or substantial shareholders; and
- (d) persons connected to a director of the Company.

41.2 Significant Related Party Transactions

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following transactions with the related parties during the financial year:-

- (a) Subsidiaries

	The Company	
	2017	2016
	RM'000	RM'000
Dividend income received from a subsidiary - Hasrat Meranti Sdn. Bhd.	2,000	-
Interest expense charged by a subsidiary - KYM Industries (M) Sdn. Bhd.	144	182
Rental charged by a subsidiary - Teguh Amalgamated Sdn. Bhd.	192	192

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

41. RELATED PARTY DISCLOSURES (CONT'D)

41.2 Significant Related Party Transactions (Cont'd)

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following transactions with the related parties during the financial year (Cont'd):-

(b) Key management personnel

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits	1,825	1,743	104	109

(c) Other related parties

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Rental charged by:				
- Tzel Properties Sdn. Bhd. *®	34	34	34	34
- Tzel Assets Sdn. Bhd. #®	1,084	1,084	-	-
Purchase property, plant and equipment from:				
- Tzel Developments Sdn. Bhd. *®	870	249	-	-
Upkeep of property, plant and equipment from:				
- Tzel Developments Sdn. Bhd. *®	12	-	-	-

* - A company in which persons connected to Dato' Lim Kheng Yew are directors and/or have substantial financial interests.

- A company in which Dato' Lim Kheng Yew is a director and persons connected to Dato' Lim Kheng Yew are directors and/or have substantial financial interests.

® - A company in which a key management personnel is a director and/or have substantial financial interests.

42. CONTINGENT LIABILITY

No provisions are recognised on the following matters as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement:-

	The Company	
	2017	2016
	RM'000	RM'000
UNSECURED:		
Corporate guarantee given to licensed banks for banking facilities granted to certain subsidiaries	18,773	20,437

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

43. FOREIGN EXCHANGE RATES

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent) for the translation of the foreign currency balances at the end of the reporting period are as follows:-

	2017 RM	2016 RM
United States Dollar	4.43	4.15
Singapore Dollar	3.12	2.91
Euro	4.74	4.52

44. SEGMENT INFORMATION

(a) OPERATING SEGMENTS

The Group has three reportable segments, as described below, which are the Group's strategic business units.

The following summary described the operations in each of the Groups' reportable segments:-

Manufacturing segment - manufacture and sale of multi-wall industrial paper bags and corrugated fibre boards and boxes.

Investment holding - investment in quoted and unquoted shares are held for capital gains.

Property segment - properties lease out for rental income or held for long-term capital appreciation.

Performance is measured based on segment profit/(loss) before taxation as included in the internal management reports that are reviewed by the Group's Executive Director, 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 (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Executive Director. Segment total asset is used to measure return of assets of each segment.

SEGMENT LIABILITIES

Segment liabilities comprise operating liabilities and finance lease liabilities.

SEGMENT CAPITAL EXPENDITURE

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

44. SEGMENT INFORMATION (CONT'D)

(a) OPERATING SEGMENTS (CONT'D)

	Manufacturing RM'000	Investment Holding RM'000	Property RM'000	Others RM'000	Group RM'000
2017					
<u>Revenue</u>					
External revenue	96,003	-	-	-	96,003
Inter-segment revenue	-	-	228	1,921	2,149
	96,003	-	228	1,921	98,152
Adjustments and eliminations					(2,149)
Consolidated revenue					96,003
<u>Results</u>					
Results before following adjustments	8,087	(474)	(910)	(1,081)	5,622
Interest income	1	12	-	-	13
Interest expense	(1,226)	(427)	(6)	-	(1,659)
Depreciation of property, plant and equipment	(4,289)	(30)	(164)	(1)	(4,484)
Other material non-cash income:					
- waiver of amount owing to a related party	-	1,168	-	-	1,168
Profit/(Loss) before taxation	2,573	249	(1,080)	(1,082)	660
Income tax expense					(25)
Consolidated profit after taxation					635
<u>Assets</u>					
Segment assets	88,548	6,654	51,844	594	147,640
Unallocated asset:-					
Current tax assets					1,797
Consolidated total assets					149,437
<u>Liabilities</u>					
Segment liabilities	39,733	1,847	5,855	342	47,777
Unallocated liability:-					
Deferred tax liabilities					9,765
Consolidated total liabilities					57,542
<u>Other Segment Items</u>					
Non-current assets other than financial instruments:					
- addition on property, plant and equipment	1,324	-	8	1	1,333

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

44. SEGMENT INFORMATION (CONT'D)

(a) OPERATING SEGMENTS (CONT'D)

	Manufacturing RM'000	Investment Holding RM'000	Property RM'000	Others RM'000	Group RM'000
2016					
<u>Revenue</u>					
External revenue	99,171	-	-	-	99,171
Inter-segment revenue	-	-	228	1,981	2,209
	99,171	-	228	1,981	101,380
Adjustments and eliminations					(2,209)
Consolidated revenue					99,171
<u>Results</u>					
Results before following adjustments	7,634	(360)	(1,079)	(1,113)	5,082
Interest income	3	38	-	-	41
Interest expense	(1,529)	(790)	(7)	(3)	(2,329)
Depreciation of property, plant and equipment	(4,398)	(78)	(169)	(16)	(4,661)
Other material non-cash (expenses)/income: - (loss)/gain on disposal of property, plant and equipment	(337)	-	27	-	(310)
Loss before taxation	1,373	(1,190)	(1,228)	(1,132)	(2,177)
Income tax expense					937
Consolidated loss after taxation					(1,240)
<u>Assets</u>					
Segment assets	90,242	11,007	51,888	410	153,547
Unallocated asset:- Current tax assets					1,581
Consolidated total assets					155,128
<u>Liabilities</u>					
Segment liabilities	40,833	7,183	5,890	309	54,215
Unallocated liability:- Deferred tax liabilities					9,725
Consolidated total liabilities					63,940
<u>Other Segment Items</u>					
Non-current assets other than financial instruments: - addition on property, plant and equipment	1,822	27	137	-	1,986

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

44. SEGMENT INFORMATION (CONT'D)

(b) GEOGRAPHICAL SEGMENTS

In presenting the information on the basis of geographical segments, segment revenue is based on the geographical location of customers. The carrying values of segment assets are based on the geographical location of the assets.

Geographical Information	Revenue		Non-Current Assets Other Than Financial Instruments	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysia	77,932	78,400	99,097	102,687
Singapore	13,290	9,082	-	-
Mauritius	39	625	-	-
Thailand	4,456	10,494	-	-
Philippines	7	104	-	-
Indonesia	-	461	-	-
Hong Kong	279	5	-	-
	96,003	99,171	99,097	102,687

Major Customers

Revenue from one major customer, with revenue equal to or more than 10% of Group's revenue, amounted to RM18,399,738 (2016 - RM10,493,590) arising from sales by the manufacturing segment.

45. CAPITAL COMMITMENT

	The Group	
	2017 RM'000	2016 RM'000
Contracted but not provided for		
Purchase of property, plant and equipment	18,206	-

46. OPERATING LEASE COMMITMENT

The Group leases a factory under an operating lease. The lease period commenced from March 2013 to February 2016 with an option to extend up to a cumulative maximum period of 15 years. On 2 February 2016, the tenancy agreement was automatically renewed for a further term of three (3) years commencing on 1 March 2016 until 28 February 2019.

The future minimum lease payments under the non-cancellable operating lease are as follows:-

	The Group	
	2017 RM'000	2016 RM'000
Not more than one year	1,084	1,084
Later than one year and not later than five years	1,174	2,259
	2,258	3,343

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

47. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

47.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on sales and purchase transactions and balances that are denominated in foreign currencies. The currencies giving rise to this risk are primarily United States Dollar, Euro and Singapore Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign Currency Exposure

The Group	United States Dollar RM'000	Singapore Dollar RM'000	Euro RM'000	Ringgit Malaysia RM'000	Total RM'000
2017					
Financial Assets					
Other investments	-	-	-	2	2
Trade receivables	3,781	1,398	7	13,346	18,532
Other receivables and deposits	-	-	-	6,000	6,000
Short-term investment	-	-	-	1,161	1,161
Fixed deposits with licensed banks	-	-	-	267	267
Cash and bank balances	799	-	-	1,706	2,505
	4,580	1,398	7	22,482	28,467
Financial Liabilities					
Hire purchase payables	-	-	-	554	554
Term loans	-	-	-	5,245	5,245
Trade payables	1,067	-	8,268	3,555	12,890
Other payables and accruals	-	-	73	9,065	9,138
Amount owing to related parties	-	-	-	570	570
Amount owing to a director	-	-	-	77	77
Revolving credit	-	-	-	2,330	2,330
Bills payable	1,715	-	4,907	7,087	13,709
Bankers' acceptances	-	-	-	574	574
Bank overdrafts	-	-	-	2,690	2,690
	2,782	-	13,248	31,747	47,777

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

The Group	United States Dollar RM'000	Singapore Dollar RM'000	Euro RM'000	Ringgit Malaysia RM'000	Total RM'000
2017					
Net financial (liabilities)/assets	1,798	1,398	(13,241)	(9,265)	(19,310)
Less:					
Net financial liabilities denominated in the respective entities' functional currencies	-	-	-	9,265	9,265
Net Currency Exposure	1,798	1,398	(13,241)	-	(10,045)

The Group	United States Dollar RM'000	Singapore Dollar RM'000	Euro RM'000	Ringgit Malaysia RM'000	Total RM'000
2016					
Financial Assets					
Other investments	-	-	-	186	186
Trade receivables	1,072	2,442	-	18,502	22,016
Other receivables and deposits	-	-	-	1,411	1,411
Short-term investment	-	-	-	5,011	5,011
Fixed deposits with licensed banks	-	-	-	267	267
Cash and bank balances	240	-	-	1,118	1,358
	1,312	2,442	-	26,495	30,249
Financial Liabilities					
Hire purchase payables	-	-	-	1,093	1,093
Term loans	-	-	-	11,716	11,716
Trade payables	3,159	-	2,505	3,946	9,610
Other payables and accruals	436	29	-	9,634	10,099
Amount owing to related parties	-	-	-	1,916	1,916
Amount owing to directors	-	-	-	135	135
Revolving credit	-	-	-	3,410	3,410
Bills payable	1,731	-	2,545	5,298	9,574
Bankers' acceptances	-	-	-	270	270
Bank overdrafts	-	-	-	6,392	6,392
	5,326	29	5,050	43,810	54,215

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

The Group	United States Dollar RM'000	Singapore Dollar RM'000	Euro RM'000	Ringgit Malaysia RM'000	Total RM'000
2016					
Net financial (liabilities)/assets	(4,014)	2,413	(5,050)	(17,315)	(23,966)
Less:					
Net financial liabilities denominated in the respective entities' functional currencies	-	-	-	17,315	17,315
Net Currency Exposure	(4,014)	2,413	(5,050)	-	(6,651)

Foreign Currency Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	The Group	
	2017 RM'000	2016 RM'000
Effects on Profit/(Loss) After Taxation		
<i>United States Dollar:-</i>		
- strengthened by 10%	180	(401)
- weakened by 10%	(180)	401
<i>Singapore Dollar:-</i>		
- strengthened by 10%	140	241
- weakened by 10%	(140)	(241)
<i>Euro:-</i>		
- strengthened by 10%	(1,324)	(505)
- weakened by 10%	1,324	505

The Company does not have any transactions or balances denominated in foreign currencies and hence is not exposed to foreign currency risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio of mix of fixed and floating rate borrowings. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

The Group's fixed rate receivables and borrowings are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Note 47.1 (c) to the financial statements.

Interest Rate Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:-

	The Group	
	2017	2016
	RM'000	RM'000
Effects on Profit/(Loss) After Taxation		
Increase in 100 basis points ("bp")	(245)	(314)
Decrease in 100 bp	245	314

The analysis of the Company is not presented as the sensitivity impact is immaterial.

(iii) Equity Price Risk

The Group's principal exposure to equity price risk arises mainly from changes in quoted investment prices. The Group manages its exposure to equity price risk by maintaining a portfolio of equities with different risk profiles. The Group's exposure to equity price risk at the end of the reporting period would have an immaterial impact on the profit/(loss) after taxation. As such, sensitivity analysis is not disclosed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due, which are deemed to have higher credit risk, are monitored individually.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified (where applicable). Impairment is estimated by management based on prior experience and the current economic environment.

The Company provides financial guarantee to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

(i) Credit Risk Concentration Profile

The Group's major concentration of credit risk related to the amounts owing by two customers (2016 - a customer) which constituted approximately 36% (2016 - 13%) of its trade receivables at the end of the current reporting period.

(ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position of the Group after deducting any allowance for impairment losses (where applicable).

The exposure of credit risk for trade receivables by geographical region is as follows:-

	The Group	
	2017 RM'000	2016 RM'000
Malaysia	13,346	18,502
Singapore	5,087	2,442
Thailand	92	852
Indonesia	-	116
Philippines	7	104
	18,532	22,016

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Ageing Analysis

The ageing analysis of the Group's trade receivables at the end of the reporting period is as follows:-

	Gross Amount RM'000	Individual Impairment RM'000	Carrying Value RM'000
The Group			
2017			
Not past due	14,710	-	14,710
Past due:-			
- less than 3 months	3,819	-	3,819
- 3 to 6 months	60	(57)	3
- more than 6 months	779	(779)	-
	19,368	(836)	18,532
2016			
Not past due	14,911	-	14,911
Past due:-			
- less than 3 months	6,470	-	6,470
- 3 to 6 months	547	-	547
- more than 6 months	867	(779)	88
	22,795	(779)	22,016

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and/or have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The Group believes that no additional impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

The Group	Contractual Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years RM'000
2017						
Hire purchase payables	2.40 - 3.30	554	613	263	350	-
Term loans	5.60 - 8.35	5,245	5,719	3,883	1,451	385
Bills payable	1.29 - 5.13	13,709	13,709	13,709	-	-
Trade payables	-	12,890	12,890	12,890	-	-
Other payables and accruals	-	9,138	9,138	9,138	-	-
Amount owing to related parties	-	570	570	570	-	-
Amount owing to directors	-	77	77	77	-	-
Revolving credit	6.03	2,330	2,330	2,330	-	-
Bankers' acceptances	4.66	574	574	574	-	-
Bank overdrafts	6.65 - 8.15	2,690	2,690	2,690	-	-
		47,777	48,310	46,124	1,801	385
2016						
Hire purchase payables	2.40 - 4.10	1,093	1,230	490	740	-
Term loans	5.60 - 8.35	11,716	12,804	7,155	4,973	676
Bills payable	1.27 - 5.78	9,574	9,574	9,574	-	-
Trade payables	-	9,610	9,610	9,610	-	-
Other payables and accruals	-	10,099	10,099	10,099	-	-
Amount owing to related parties	-	1,916	1,916	1,916	-	-
Amount owing to directors	-	135	135	135	-	-
Revolving credit	6.03	3,410	3,410	3,410	-	-
Bankers' acceptances	5.02	270	270	270	-	-
Bank overdrafts	6.85 - 8.35	6,392	6,392	6,392	-	-
		54,215	55,440	49,051	5,713	676

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The Company	Contractual Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000
2017					
Hire purchase payables	2.80	6	7	7	-
Term loan	8.35	1,000	1,021	1,021	-
Other payables and accruals	-	423	423	423	-
Amount owing to subsidiaries	-	29,829	29,829	29,829	-
Amount owing to related parties	-	472	472	472	-
		31,730	31,752	31,752	-
2016					
Hire purchase payables	2.60 - 2.80	118	140	96	44
Term loan	8.35	5,000	5,313	4,292	1,021
Other payables and accruals	-	421	421	421	-
Amount owing to subsidiaries	-	58,816	58,816	58,816	-
Amount owing to related parties	-	1,640	1,640	1,640	-
		65,995	66,330	65,265	1,065

47.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings less cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

47. FINANCIAL INSTRUMENTS (CONT'D)

47.2 CAPITAL RISK MANAGEMENT (CONT'D)

The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	The Group	
	2017 RM'000	2016 RM'000
Hire purchase payables	554	1,093
Term loans	5,245	11,716
Bankers' acceptances	574	270
Revolving credit	2,330	3,410
Bills payable	13,709	9,574
Bank overdrafts	2,690	6,392
	25,102	32,455
Less: Cash and cash equivalents		
- cash and bank balances	(2,505)	(1,358)
- short-term investment	(1,161)	(5,011)
	21,436	26,086
Total equity (excluding non-controlling interests)	91,896	91,188
Debt-to-equity ratio	0.23	0.29

47.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financial Asset				
<u>Available-for-sale Financial Asset</u>				
Other investments				
- unquoted shares	-	184	-	184
<u>Loans and Receivables Financial Assets</u>				
Trade receivables	18,532	22,016	-	-
Other receivables and deposits	6,000	1,411	286	289
Amount owing by subsidiaries	-	-	37,372	61,933
Fixed deposits with licensed banks	267	267	-	-
Cash and bank balances	2,505	1,358	104	330
	27,304	25,052	37,762	62,552
<u>Fair Value through Profit or Loss</u>				
Short-term investment	1,161	5,011	1,161	5,011
Other investment - quoted shares	2	2	-	-
	1,163	5,013	1,161	5,011

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

47. FINANCIAL INSTRUMENTS (CONT'D)

47.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONT'D)

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Financial Liability				
<u>Other Financial Liabilities</u>				
Hire purchase payables	554	1,093	6	118
Term loans	5,245	11,716	1,000	5,000
Bankers' acceptances	574	270	-	-
Bills payable	13,709	9,574	-	-
Trade payables	12,890	9,610	-	-
Other payables and accruals	9,138	10,099	423	421
Amount owing to subsidiaries	-	-	29,829	58,816
Amount owing to related parties	570	1,916	472	1,640
Amount owing to directors	77	135	-	-
Revolving credit	2,330	3,410	-	-
Bank overdrafts	2,690	6,392	-	-
	47,777	54,215	31,730	65,995

47.4 FAIR VALUE INFORMATION

Other than those disclosed below, the fair values of the financial assets and financial liabilities maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments. These fair values are determined by discounting the relevant cash flows at rates ranging from 4.70% to 8.35% (2016 - 4.84% to 8.35%) per annum. The discounting rates equal to the current market interest rate plus appropriate credit rating, where necessary. The fair values are included in level 2 of the fair value hierarchy.

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
The Group								
2017								
<u>Financial Asset</u>								
Other investments								
- quoted shares	2	-	-	-	-	-	2	2
<u>Financial Liabilities</u>								
Hire purchase payables	-	-	-	-	563	-	563	554
Term loans	-	-	-	-	5,245	-	5,245	5,245
2016								
<u>Financial Assets</u>								
Other investments								
- quoted shares	2	-	-	-	-	-	2	2
Other investments								
- unquoted shares	-	-	-	-	-	-	*	184
<u>Financial Liabilities</u>								
Hire purchase payables	-	-	-	-	1,121	-	1,121	1,093
Term loans	-	-	-	-	11,716	-	11,716	11,716

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

47. FINANCIAL INSTRUMENTS (CONT'D)

47.4 FAIR VALUE INFORMATION (CONT'D)

The Group	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
2017								
<u>Financial Liabilities</u>								
Hire purchase payables	-	-	-	-	4	-	4	6
Term loans	-	-	-	-	1,000	-	1,000	1,000
2016								
<u>Financial Asset</u>								
Other investments								
- unquoted shares	-	-	-	-	-	-	*	184
<u>Financial Liabilities</u>								
Hire purchase payables	-	-	-	-	129	-	129	118
Term loans	-	-	-	-	5,000	-	5,000	5,000

Note:

* - The fair value cannot be reliably measured using valuation techniques due to lack of marketability of the unquoted shares.

48. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The Companies Act 2016 came into effect on 31 January 2017 (except for Section 241 and Division 8 of Part III of the said Act) and replaced the Companies Act 1965.

Amongst the key changes introduced under the Companies Act 2016 that affected the financial statements of the Group and of the Company upon its initial adoption are:-

- (i) Removal of the authorised share capital;
- (ii) Ordinary shares ceased to have par value; and
- (iii) Share premium account became part of the share capital.

The adoption of the Companies Act 2016 was applied prospectively. Therefore, the changes in the accounting policies and the possible impacts on the financial statements upon its initial adoption have been disclosed in the financial statements of the Group and of the Company for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017 (CONT'D)

49. SUPPLEMENTARY INFORMATION - DISCLOSURE OF REALISED AND UNREALISED PROFITS/(LOSSES)

The breakdown of the accumulated losses of the Group and of the Company at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Total (accumulated losses)/retained earnings:				
- realised	(81,934)	(108,949)	(76,645)	(82,087)
- unrealised	30,730	31,993	-	-
	(51,204)	(76,956)	(76,645)	(82,087)
Less: Consolidated adjustments	31,794	56,879	-	-
At 31 January	(19,410)	(20,077)	(76,645)	(82,087)

ANALYSIS OF SHAREHOLDINGS

AS AT 28 APRIL 2017

The total number of issued shares of the Company stands at 149,889,753, with voting rights of one vote per ordinary share.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	Number of Holders	Total Holdings	%
1 - 99	22	370	0.00
100 - 1,000	404	373,199	0.25
1,001 - 10,000	806	4,111,675	2.74
10,001 - 100,000	385	12,862,286	8.58
100,001 - 7,494,486	96	69,292,223	46.23
7,494,487 and above	3	63,250,000	42.20
Total	1,716	149,889,753	100.00

SUBSTANTIAL SHAREHOLDERS

Name	Direct	No. of Shares held		%
		%	Indirect	
Cheong Chan Holdings Sdn. Bhd.	30,000,000	20.01	-	-
Dato' Lim Kheng Yew	2,000,000	1.33	⁽¹⁾ 50,750,000	33.86
Idaman Bina Makmur Sdn. Bhd.	7,750,000	5.17	-	-
Datin Millie Lee Siew Kim	-	-	⁽²⁾ 14,750,000	9.84
Lim Tze Thean	3,094,400	2.06	⁽³⁾ 7,000,000	4.67

⁽¹⁾ Deemed interest by virtue of his direct and indirect shareholding in Cheong Chan Holdings Sdn. Bhd., KYM Sdn. Bhd. and Idaman Bina Makmur Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016 and by virtue of his children pursuant to Section 59(11)(c) of the Companies Act, 2016.

⁽²⁾ Deemed interest by virtue of her direct and indirect shareholding in KYM Sdn. Bhd. and Idaman Bina Makmur Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016.

⁽³⁾ Deemed interest by virtue of his direct and indirect shareholding in KYM Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016.

THIRTY LARGEST SHAREHOLDERS

Name of Shareholders	No. of Ordinary Shares	% of Issued Capital
1. Cheong Chan Holdings Sdn. Bhd.	30,000,000	20.01
2. HSBC Nominees (Asing) Sdn. Bhd.		
Exempt An For Credit Suisse	25,500,000	17.01
3. Idaman Bina Makmur Sdn. Bhd.	7,750,000	5.17
4. HSBC Nominees (Asing) Sdn. Bhd.		
Exempt An For The Hong Kong And Shanghai Banking Corporation Limited	7,000,000	4.67
5. KYM Sdn. Bhd.	7,000,000	4.67
6. Kenanga Nominees (Asing) Sdn. Bhd.		
Cantal Capital Inc.	3,800,000	2.54
7. Kenanga Nominees (Asing) Sdn. Bhd.		
Emmel Inc.	3,300,000	2.20
8. Lim Tze Thean	3,000,000	2.00
9. Marathon Capital Sdn. Bhd.	3,000,000	2.00
10. Mark Lim Tze Seang	3,000,000	2.00

ANALYSIS OF SHAREHOLDINGS

AS AT 28 APRIL 2017 (CONT'D)

THIRTY LARGEST SHAREHOLDERS

Name of Shareholders	No. of Ordinary Shares	% of Issued Capital
11. Melissa Lim Su Lin	3,000,000	2.00
12. Yap Chee Lit	2,617,000	1.75
13. Sai Yee @ Sia Say Yee	2,341,200	1.56
14. LCH Capital Holding Sdn. Bhd.	2,227,000	1.49
15. Lim Kheng Yew	2,000,000	1.33
16. Renfield Investment Limited	2,000,000	1.33
17. Tan Suan Huat	1,770,000	1.18
18. TA Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Liew Ah Onn	1,111,500	0.74
19. Loh Toh Heoh	1,082,300	0.72
20. M & A Nominee (Tempatan) Sdn. Bhd. Pledged Securities Account For Soh Choh Piau	1,002,100	0.67
21. Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Mohamad Razman Bin Rahim	1,000,000	0.67
22. Kenanga Nominees (Asing) Sdn. Bhd. Resonate Capital Limited	1,000,000	0.67
23. Magnitude Network Sdn. Bhd.	775,273	0.52
24. Chong Thin Choy	760,000	0.51
25. Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Ng Wymin	751,800	0.50
26. Tham Kin Foong (John)	624,700	0.42
27. Yap Ching Chwan	578,800	0.39
28. Sai Yee @ Sia Say Yee	570,000	0.38
29. Lim Chin Huat	515,000	0.34
30. Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Chung Mui Nyok	500,000	0.33
	119,576,673	79.77

DIRECTORS' INTEREST IN SHARES

Name	Direct	Ordinary Shares %	Indirect	%
Dato' Seri Dr. Isahak Bin Yeop Mohamad Shar	-	-	-	-
Dato' Seri Ir. Mohamad Othman Bin Zainal Azim	-	-	-	-
Dato' Lim Kheng Yew	2,000,000	1.33	50,750,000 ⁽¹⁾	33.86
Datuk Wira Rahadian Mahmud Bin Mohammad Khalil	-	-	-	-
Dato' Mohd Azmi Bin Othman	42,000	0.03	-	-
Lee Ji Jin Darren	110,000	0.07	-	-
Lim Tze Thean	3,094,400	2.06	7,000,000 ⁽²⁾	4.67

⁽¹⁾ Deemed interest by virtue of his direct and indirect shareholding in Cheong Chan Holdings Sdn. Bhd., KYM Sdn. Bhd. and Idaman Bina Makmur Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016 and by virtue of his children pursuant to Section 59(11)(c) of the Companies Act, 2016.

⁽²⁾ Deemed interest by virtue of his direct and indirect shareholding in KYM Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016.

Dato' Lim Kheng Yew is deemed to have an interest in all the shares held by the Company in its related corporations by virtue of his substantial shareholding in the Company.

LIST OF PROPERTIES

AS AT 31 JANUARY 2017

Location/Address	Land Area (m ²)	Tenure	Date of Acquisition/ (Revaluation)	Description and Existing Use	Approx. Age of Buildings	Net Book Value (RM)
PN 210048 Lot No. 6917, PN 210061 Lot 6927, and HSD 489 PT No. 4116 Mukim of Lumut District of Manjung Perak Darul Ridzuan	311,253	99 years leasehold expiring on 14.03.2089	(13.03.2014)	Residential, Commercial; Vacant	-	14,820,000
PN 210047 Lot No. 6916 Mukim of Lumut District of Manjung Perak Darul Ridzuan	115,561	99 years leasehold expiring on 14.03.2089	(19.08.2013)	Residential, Vacant	-	12,400,000
PN 343148 Lot 392203 Mukim Hulu Kinta District of Kinta Perak Darul Ridzuan	167,394	99 years leasehold expiring on 23.11.2107	(13.03.2014)	Residential, Commercial; Vacant	-	12,000,000
Lot No. PT2 (Lot 5) Jalan Perusahaan 1 Kawasan Perusahaan Beranang 43700 Beranang Selangor Darul Ehsan	11,461	99 years leasehold expiring on 09.10.2099	(02.06.2011)	Industrial land with factory buildings, offices and warehouse erected thereon	25 years	5,853,361
Lot 10, 11 & 12 Persiaran Perindustrian Kanthan 5 Kanthan Industrial Estate 31200 Chemor Perak Darul Ridzuan	13,777	60 years leasehold expiring on 07.06.2060	(27.05.2011)	Industrial land with factory buildings, offices and warehouse erected thereon	24 years	7,086,042
Lot 7 Jalan Perusahaan 1 Kawasan Perusahaan Beranang 43700 Beranang Selangor Darul Ehsan	36,430	99 years leasehold expiring on 09.10.2099	(13.03.2014)	Industrial land with factory buildings and warehouse erected thereon	25 years	9,000,000
12 & 14 Lorong Medan Tuanku Satu 50300 Kuala Lumpur	1,200	Freehold	(13.03.2014)	2 adjoining units of 5-storey shop/office buildings housing the corporate office	32 years	6,400,000
Lot 16 Persiaran Perindustrian Kanthan 3 Kanthan Industrial Estate 31200 Chemor Perak Darul Ridzuan	7,532	60 years leasehold expiring on 10.02.2015	(27.05.2011)	Industrial land with single storey factory building erected thereon	6 years	1,855,814

PROXY FORM



KYM HOLDINGS BHD.
(Co. No. 84303-A)
(Incorporated in Malaysia)

CDS Account No.	
Number of Shares Held	

I/We _____ (NRIC No.: _____)
of _____
being a member of KYM Holdings Bhd. hereby appoint _____
_____ (NRIC No.: _____)
of _____
or failing him _____ (NRIC No.: _____)
of _____
as *my/our proxy to vote for *me/us and on *my/our behalf at the 35th Annual General Meeting of the Company to be held at the Company's Office at No. 12, Lorong Medan Tuanku Satu, 50300 Kuala Lumpur on Wednesday, 5 July 2017 at 11:00 a.m. and at any adjournment thereof.

*My/Our proxy is to vote as indicated below:

No.	Resolution	For	Against
1.	Payment of Directors' Fees and Directors' Benefits to Non-Executive Directors		
2.	Re-election of Dato' Seri Dr. Isahak Bin Yeop Mohamad Shar as Director		
3.	Re-election of Datuk Wira Rahadian Mahmud Bin Mohammad Khalil as Director		
4.	Re-election of Mr Lim Tze Thean as Director		
5.	Re-appointment of Messrs Crowe Horwath as Auditors		
6.	Authority To Allot And Issue Shares Pursuant To Sections 75 and 76 of the Companies Act, 2016		
7.	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
8.	Retention of Datuk Wira Rahadian Mahmud Bin Mohammad Khalil as Independent Non-Executive Director		
9.	Retention of Dato' Seri Ir Mohamad Othman Bin Zainal Azim as Independent Non-Executive Director		
10.	Retention of Dato' Mohd Azmi Bin Othman as Independent Non-Executive Director		

Please indicate with an "X" in the space provided, how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion.

Dated this _____ day of _____, 2017.

Signature of Member/Common Seal

Notes:

1. A member entitled to attend and vote at the meeting is entitled to attend and vote in person or by proxy or by attorney or by duly authorised representative. A proxy or an attorney or a duly authorised representative need not be a member of the Company.
2. Save for an exempt authorised nominee as defined in the under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), a Member (including an authorised nominee) shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, he shall specify in the instrument appointing the proxies, the proportion of his shareholdings to be represented by each proxy.
3. If the Form of Proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
4. The power of attorney or a certified copy thereof or the instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing. If the appointer is a corporation, it must be executed under its seal or in the manner authorised by its constitution.
5. Only members registered in the Record of Depositors on or before 5.00 p.m. as at 29 June 2017 shall be eligible to attend the meeting or appoint a proxy to attend and/or vote on such depositor's behalf.
6. The instrument appointing a proxy together with the power of attorney (if any) under which it is signed or a duly certified copy thereof must be deposited at the Registered Office, No. 12, Lorong Medan Tuanku Satu, 50300 Kuala Lumpur at least 48 hours before the time appointed for holding the Meeting or any adjournment thereof, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll.

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STAMP

The Company Secretary

KYM HOLDINGS BHD.
(Co. No. 84303-A)

12, Lorong Medan Tuanku Satu,
50300 Kuala Lumpur

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