



**KYM HOLDINGS BHD.**

(Co. No.: 84303-A)

Annual  
Report  
2018

# Our Vision

We aim to be a trusted global player in delivering industrial, property and construction solutions to an international and local clientele, playing an integral part in delivering Malaysia's ambitions of becoming a high-income, developed nation by the year 2020.

By being thoroughly committed to innovation, technology, human capital and sustainable development, we aim to be critical enablers to an environment in which businesses thrive and communities are enriched.

# Our Mission

We strive for excellence in all that we do, leveraging best-in-class technology and processes to cost-efficiently deliver products and services of the highest quality and safety to our customers.

In doing so, we aim to always exceed expectations while maximising value for all our share- and stakeholders, all of the time.

# 36<sup>TH</sup> ANNUAL GENERAL MEETING

Tuesday, 3 July 2018  
at 11.00 a.m.

Company's Office at No. 12  
Lorong Medan Tuanku Satu  
50300 Kuala Lumpur

## TABLE OF CONTENTS

### 02

#### Notice of Annual General Meeting

06	Corporate Information
07	Profile of Directors
11	Profile of Key Senior Management
12	Five-Year Financial Highlights

### 13

#### Management Discussion and Analysis

17	Sustainability Statement
----	--------------------------

### 29

#### Corporate Governance Overview Statement

35	Audit Committee Report
39	Statement on Risk Management and Internal Control
42	Additional Compliance Information

### 43

#### Financial Statements

### 117

#### Analysis of Shareholdings

119	List of Properties
	Proxy Form

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN that the 36<sup>th</sup> 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 Tuesday, 3<sup>rd</sup> July 2018 at 11.00 a.m. for the following purposes:-**

1. To receive the Financial Statements for the financial year ended 31 January 2018 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 2018 and the payment of Directors' benefit (excluding Directors' Fee) to Non-Executive Director of up to an amount of RM19,550 from the date of 36<sup>th</sup> Annual General Meeting until the next Annual General Meeting. (RESOLUTION 1)
3. To re-elect the following Directors retiring in accordance with the Company's Constitution:
  - i. Dato' Seri Ir. Mohamad Othman Bin Zainal Azim (Article 103) (RESOLUTION 2)
  - ii. Lee Ji Jin Darren (Article 103) (RESOLUTION 3)
4. To re-appoint Messrs Crowe Horwath as Auditors of the Company and to authorise the Directors to fix their remuneration. (RESOLUTION 4)
5. As Special Business, to consider and if thought fit, pass with or without any modification, the following resolutions:

### Ordinary Resolution

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

"That pursuant to Section 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 5)

### Ordinary Resolution

#### Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions and a New Shareholders' Mandate for Additional 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 5 July 2017 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 31 May 2018 with the related party mentioned therein which are necessary for the day-to-day operations of the KYM Group be and is hereby renewed And That a new shareholders' mandate be and is hereby granted to the Company and its subsidiaries to enter into additional recurrent related party transactions of a revenue or trading nature as specified in the said Circular to Shareholders 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.

# NOTICE OF ANNUAL GENERAL MEETING

(CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

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.

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 6)**

## Ordinary Resolution

### Retention of Datuk Seri Rahadian Mahmud Bin Mohammad Khalil as Independent Non-Executive Director

"That Datuk Seri Rahadian Mahmud Bin Mohammad Khalil be and is hereby retained as Independent Non-Executive Director of the Company."

**(RESOLUTION 7)**

## Ordinary Resolution

### Retention of Dato' Seri Ir. Mohamad Othman Bin Zainal Azim as Independent Non-Executive Director

"That Dato' Seri Ir. Mohamad Othman Bin Zainal Azim be and is hereby retained as Independent Non-Executive Director of the Company."

**(RESOLUTION 8)**

## Ordinary Resolution

### Retention of Dato' Mohd Azmi Bin Othman as Independent Non-Executive Director

"That Dato' Mohd Azmi Bin Othman be and is hereby retained as Independent Non-Executive Director of the Company."

**(RESOLUTION 9)**

## Special Resolution

### Proposed Amendment of the Constitution of the Company

"That approval be and is hereby given for the Company to amend the whole of the existing Constitution of the Company by the replacement thereof with a new Constitution of the Company as set out in Appendix I with immediate effect AND THAT the Board of Directors of the Company be and is hereby authorised to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

**(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

31 May 2018

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### 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 27 June 2018 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.

### 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 5, 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 5 July 2017 which will lapse at the conclusion of the 36<sup>th</sup> 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.

# NOTICE OF ANNUAL GENERAL MEETING

## (CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

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

The proposed resolution 6, 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 31 May 2018 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

In accordance with the Malaysian Code on Corporate Governance, the Nomination & Remuneration Committee and the Board have recommended the three (3) Non-Executive Directors to continue to act as 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 Requirements 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.

5. Proposed Amendment of the Constitution of the Company ("Proposed Amendment")

The Proposed Amendment is to ensure that the Company's Constitution in line with the Companies Act 2016, in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and to enhance administrative efficiency.

In view of the substantial amount of proposed amendment to the Memorandum and Articles of Association (now known as Constitution), the Board proposed that the existing Constitution be altered or amended by the Company in its entirety by the replacement thereof with a New Constitution.

The proposed New Constitution as set out in Appendix I which is circulated together with the Notice of 36<sup>th</sup> AGM dated 31 May 2018, shall take effect once the proposed Resolution 10 has been passed by a majority of not less than seventy-five per centum (75%) of such members who are entitled to vote and do vote in person or by proxy at the 36<sup>th</sup> AGM.

## CORPORATE INFORMATION

# 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 Seri 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**  
*Executive Director / Chief Executive Officer*

## SECRETARY

Chee Min Er (MAICSA 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  
Block D13  
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](http://www.kym.com.my)



## PROFILE OF DIRECTORS

ANNUAL REPORT 2018

 KYM HOLDINGS BHD.  
(84303-A)

### DATO' SERI DR. ISAHAK BIN YEOP MOHAMAD SHAR

*Non-Independent Non-Executive Chairman  
Malaysian*

Dato' Seri Dr. Isahak Bin Yeop Mohamad Shar, aged 69, 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, aged 66, 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 118 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 117 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 63, 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 SERI RAHADIAN MAHMUD BIN MOHAMMAD KHALIL**

*Independent Non-Executive Director  
Malaysian*

Datuk Seri Rahadian Mahmud Bin Mohammad Khalil, aged 44, was appointed to the Board of KYM on 2 October 2006. He is the Group Managing Director of Magna Prima Berhad and Independent Non-Executive Chairman of AppAsia Berhad. He also sits on the Board of Sanbumi Holdings Berhad.

Datuk Seri Rahadian Mahmud was involved 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)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

### DATO' MOHD AZMI BIN OTHMAN

*Independent Non-Executive Director  
Malaysian*

Dato' Mohd Azmi Bin Othman, aged 50, 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 and Royal Perak Golf Club 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 118 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 35, 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 118 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*

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Lim Tze Thean, aged 39, 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 118 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

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

### DATO' LIM KHENG YEW

*Executive Director  
Malaysian, aged 66  
Male*

His profile is set out in Profile of Directors on page 7.

### LIM TZE THEAN

*Executive Director / Chief Executive Officer  
Malaysian, aged 39  
Male*

His profile is set out in Profile of Directors on page 10.

### MOK TUCK MENG

*Managing Director, Multiwall Industrial Paper Sacks Division  
Malaysian, aged 52  
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 60  
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.

### TAN PENG AUN

*Group Property Manager  
Malaysian, aged 53  
Male*

Tan Peng Aun graduated with an Advance Diploma in Commerce (Management Accounting) from Tunku Abdul Rahman University College, Malaysia. He started his career in KYM Group as a Group Corporate Finance Manager in 1993 and was appointed as the Group Property Manager in 2007. He has more than 25 years of working experience in various industries including paper packaging, general electrical trading, IT sector and property management and development.

### CHEE MIN ER

*Head of Corporate Communications & Administration  
Company Secretary  
Malaysian, aged 46  
Female*

Chee Min Er is an Associate Member of The Malaysian Institute of Chartered Secretaries and Administrators. She joined KYM Group in December 1997 as the Company Secretary and was promoted to present position with an expanded role in May 2012. She leads the functions of corporate secretarial and corporate communications of the Group. She has more than 20 years of experience attending to corporate secretarial and compliance matters.

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

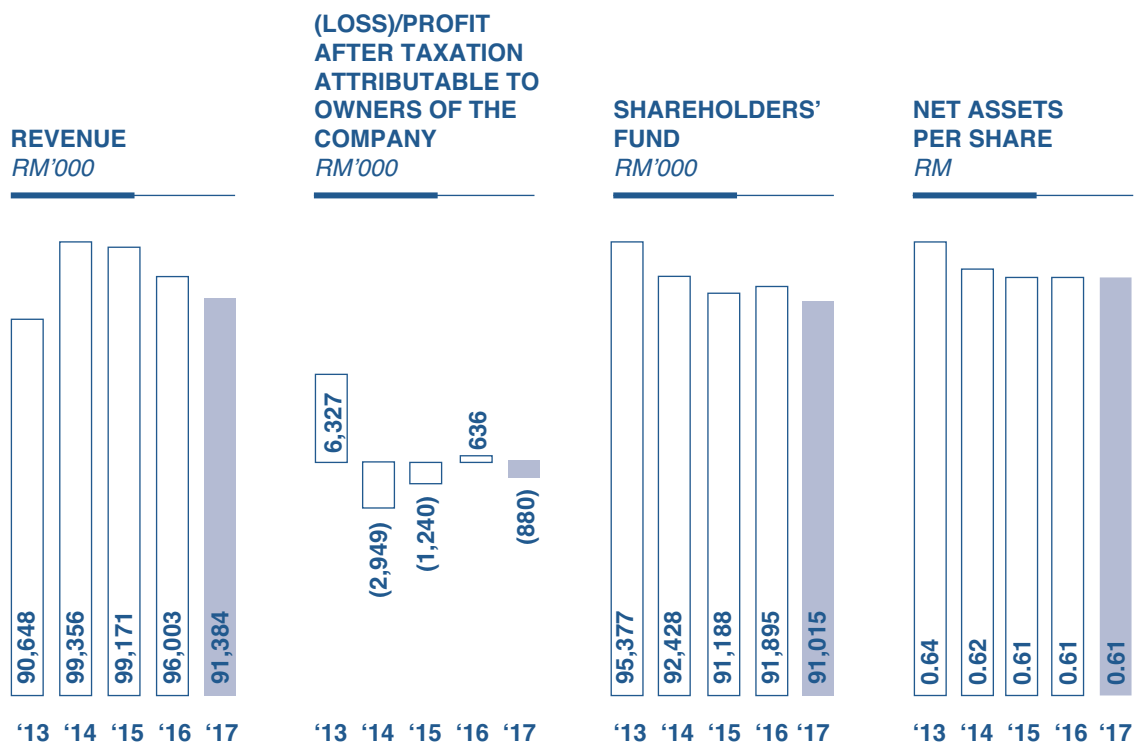
1. any other directorship in public companies and listed issuers;
2. any family relationship with any director and/or major shareholder of the Company;
3. been convicted of any offences (excluding traffic offences) within the past 5 years; and
4. been subjected to any public sanction or penalty imposed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

## FIVE-YEAR FINANCIAL HIGHLIGHTS

		2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000
Revenue		91,384	96,003	99,171	99,356	90,648
(Loss)/Profit Before Tax		(800)	660	(2,177)	(3,367)	13,035
(Loss)/Profit After Tax		(880)	635	(1,240)	(2,949)	4,333
(Loss)/Profit After Taxation Attributable to Owners of the Company		(880)	636	(1,240)	(2,949)	6,327
Paid up capital		110,381	110,381	74,945	74,945	74,945
Shareholders' Fund		91,015	91,895	91,188	92,428	95,377
Total Assets		164,974	149,437	155,128	178,194	166,318
Total Borrowing		41,905	25,102	32,455	42,087	40,946
Debt/Equity	%	46%	27%	36%	46%	43%
Basic (Loss)/Earning Per Share Attributable to Shareholders	sen	(0.59)	0.42	(0.83)	(1.97)	4.24
Net Assets Per Share	RM	0.61	0.61	0.61	0.62	0.64

## 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

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

## OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

Manufacturing and selling of high-quality industrial paper packaging products remains the core business of the KYM Group. The 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.

During the financial year, we continued our focus on this core business and to grow our multiwall industrial paper packaging business through the following:

- **Technology**

Cutting-edge machinery to ensure that we roll out products of exceptional quality, as well as deliver them efficiently, reliably and in a timely manner.

- **Quality**

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**

We continue to invest heavily in staff training as 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.

For the year under review, the operating environment was challenging as supply was down due to reduced demand from market as they were facing uncertainty on the economy direction of the country as general election was on the horizon. Many projects were on-hold and as our main products is cement sacks, the building sector slowdown affected our sales.

## FINANCIAL RESULTS AND FINANCIAL CONDITION

The performance of KYM Group in the financial year under review was below our expectation.

	2018 RM'000	2017 RM'000	Y-O-Y RM'000	%
Revenue	91,384	96,003	(4,619)	(5%)
Gross Profit	8,511	10,842	(2,331)	(21%)
Finance Costs	(1,234)	(1,659)	425	(26%)
(Loss)/Profit Before Tax ("LBT" or "PBT")	(800)	660	(1,460)	(221%)
(Loss)/Profit After Tax ("LAT" or "PAT")	(880)	635	(1,515)	(239%)
Shareholders' Equity	91,015	91,895	(880)	(1%)
Total Assets	164,974	149,437	15,537	10%
Borrowings	41,905	25,102	16,803	67%
Gearing Ratio (times)	0.46	0.27		
(Loss)/Earnings Per Share (sen)	(0.59)	0.42		
Net Assets Per Share (RM)	0.61	0.61		

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

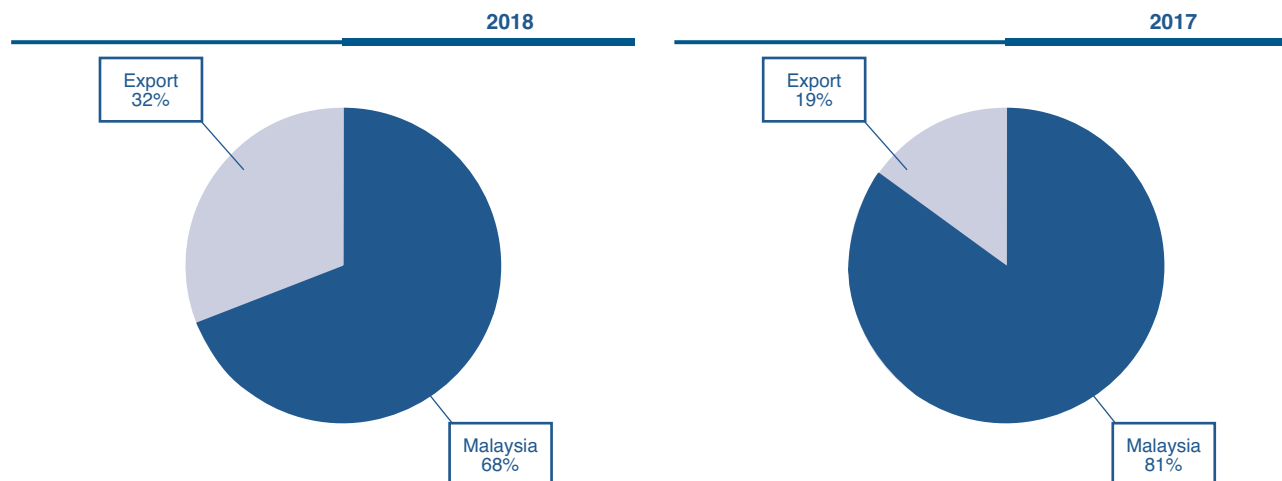
### Revenue

Total revenue for the year was RM91 million, a 5% drop from RM96 million recorded in the previous financial year. The decrease in the total revenue was primarily attributable to the lower turnover from the multiwall industrial paper sacks due to the reduced demand by local cement companies. There was a contraction in the local cement market in 2017. As a result, the multiwall industrial sacks division recorded an approximately 11% drop in revenue.

Total revenue from the corrugated carton division increased by 19% for the current financial year, contributed by the increase in both export and local sales volume and increase in selling price.

Despite the decrease in total turnover, total export sales increased by approximately 62% in the current financial year as compared to the preceding financial year.

Segment revenue based on geographical location of customers:



The key export countries and their respective contribution to revenue for financial year under review are Singapore (22.5%) and Thailand (9.1%). Other export destinations include Hong Kong, Philippines, Brunei and Mauritius. We commenced the export of multiwall industrial paper sacks to Indonesia market in the first half of 2017.

### Loss Before Tax (LBT)

The Group reported a Loss Before Tax of RM800,000 as compared to Profit Before Tax of RM660,000 in the previous financial year, mainly attributable to the following:

- Reduced profits from the multiwall industrial sacks division due to lower turnover.
- Gross profit margin was compressed and reduced to 9.3% as compared to 11.3% in 2017 due to the increase in raw material cost especially paper which is the major input in the Group's operations. Paper prices increased during the financial year.
- Impairment losses on the property, plant and equipment in the corrugated carton division amounting to RM2.5 million.
- A realised loss on foreign exchange of RM610,000.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

### Total Assets

Property, plant and equipment increased by 31% to RM70 million from RM53 million in the previous financial year due to the acquisition of an additional industrial paper sacks production line.

Inventories increased by 23% to RM24 million from RM20 million in the previous financial year due to timing differences.

### Liabilities

Group borrowings increased by 67% or RM16.8 million from RM25 million at the end of the previous financial year to RM41.9 million due to the drawdown of the banking facilities to finance the acquisition of the new industrial paper sacks production line. With the said additional borrowings, the Group's gearing ratio has increased to about 0.46 times as at 31 January 2018 as compared to 0.27 times in the previous financial year.

### Capital Expenditure

The Group incurred RM24 million during the financial year, primarily for the acquisition of an 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.

## ANTICIPATED TREND OR RISKS

Overall, the operating environment remains challenging due to the volatility of the Ringgit Malaysia against the Euro and US Dollar as well as the global economic uncertainties which could compress the Group's profit margin.

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

Paper prices are stable as we concluded the price at the beginning of the calendar year and it remains the same for the whole year.

There was intermittent supply shortage in 2017 as demand for paper increased from customers worldwide and paper mills were unable to cope with supply. Delivery was delayed up to 6 weeks and in some acute situations, order tonnages were split into separate delivery with further delays on the second delivery.

The Group has taken proactive measures to mitigate the unexpected tight supply of paper by increasing its inventory to counter the delay in delivery. With expected paper shortage in the foreseeable future, we shall continue to be more vigilant in the procurement process to ensure we have sufficient paper for continuity of sacks supply to our customers.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### THE OUTLOOK

As manufacturing will continue to be the core business of KYM Group, we will remain focused on creating further income, concentrating our resources on the existing businesses and growing our multiwall industrial paper sacks division industrial paper sacks division. We are optimistic of delivering stronger performance as we carry out the following strategies to strengthen our position in the multiwall industrial paper sacks:

- Capacity increased and improved facilities

The new industrial paper sack production line was installed in Tapah, Perak and commissioned in the first quarter of calendar year 2018. With that, the total production capacity for multiwall industrial sacks increased by 50% to 230 million paper sacks per annum from the current 150 million paper sacks per annum. The new line continues the Group's strategy to focus on growing its exports in the Southeast Asia market.

The new warehouse in Tapah plant was completed in February 2018.

- Greater export to Southeast Asia region

In March 2017, Hasrat Meranti Sdn Bhd had signed an agreement with BillerudKorsnäs AB ("BillerudKorsnäs") for the contract manufacture, sale and distribution of industrial sacks in Southeast Asia ("Agreement"). The collaboration with BillerudKorsnas will enable the Group to grow its existing business, both the local and export markets in Southeast Asia.

Under the terms of the Agreement, Hasrat Meranti Sdn Bhd will contract manufacture up to 80 million industrial paper sacks per annum for BillerudKorsnäs for supply throughout the Asian region. We had commenced delivery of these paper sacks.

- Local market

The Group has been awarded a supply contract from a local cement company and managed to regain its market share in the local market through its best quality of paper sacks.

- Operational Efficiency

The Group shall continue to optimise operational efficiency and cost effectiveness to the cushion the effect of the increase in raw material cost and remain competitive in a highly competitive industry.

The Group is also continuing its efforts to maximise the value of its non-core assets.

### 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.

## 1 About This Statement

In line with the amendments to the Main Market Listing Requirements on sustainability reporting issued by Bursa Malaysia Securities Berhad, KYM Holdings Bhd. ("KYM" or "the Group") is proud to present our inaugural Sustainability Statement. This statement which presents the sustainability initiatives carried out during the period 1 February 2017 - 31 January 2018 has been prepared in accordance to the Global Reporting Initiative ("GRI") G4 Guidelines.

### 1.1 Statement Scope and Boundary

This statement covers the Group's business operation of marketing and manufacturing of multiwall industrial paper sacks and corrugated carton boxes which includes its manufacturing factories in Selangor and Perak.

## 2 Sustainability Strategy

Based on our Group's corporate vision statement, we have drawn out our sustainability strategy focusing on the three pillars of sustainability: economy, environment and society. In contributing to these pillars, we focus our efforts and resources on innovative technology, quality assurance and human capital development.

## CORPORATE VISION

We aim to be a trusted global player in delivering industrial, property and construction solutions to an international and local clientele, playing an integral part in delivering Malaysia's ambitions of becoming a high-income, developed nation by the year 2020.

By being thoroughly committed to innovation, technology, human capital and sustainable development, we aim to be critical enablers to an environment in which businesses thrive and communities are enriched.

## SUSTAINABILITY STRATEGY



### ECONOMIC

To build financial strength and deliver sustainable shareholder returns.



### ENVIRONMENTAL

To mitigate any negative environmental impact and conserve the surrounding environment.



### SOCIAL

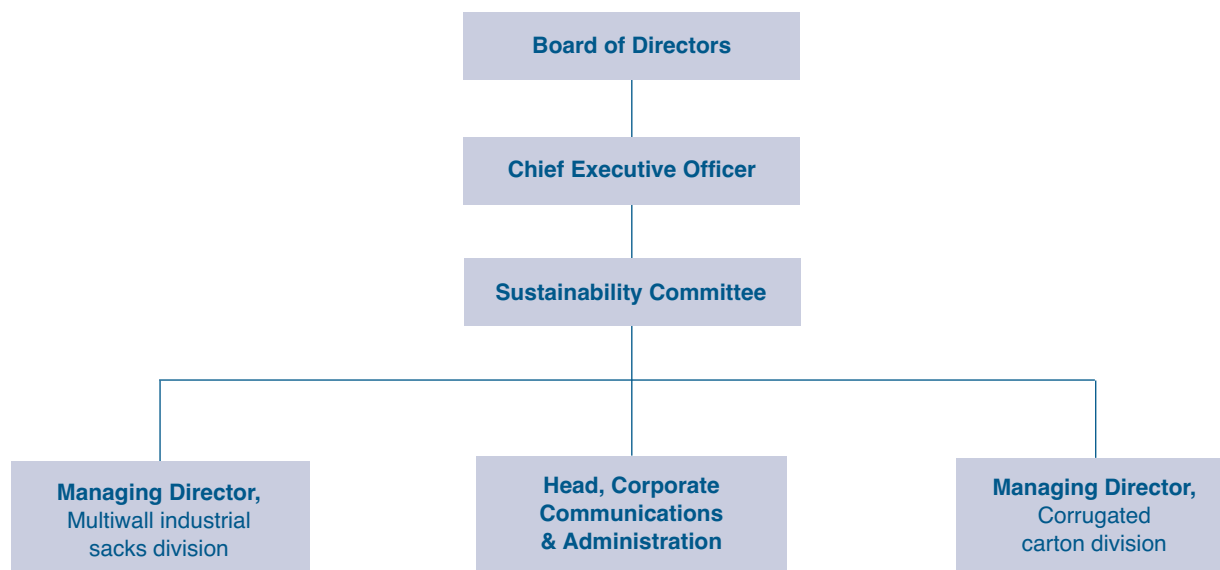
To foster a robust, diverse and capable workforce, and create a safe workplace.

# SUSTAINABILITY STATEMENT

## (CONT'D)

### 3 Sustainability Governance Structure

We are cognisant of the importance of having a robust governance structure to ensure the seamless integration of sustainability initiatives within our business operations. To this end, we have established a sustainability governance structure comprising the Board of Directors ("BOD"), the Chief Executive Officer ("CEO") and the Sustainability Committee ("SC").



While the SC monitors and reports the progress of implemented sustainability initiatives to the CEO, the CEO plays an advisory role to the SC, providing guidance and overseeing the Group's sustainability performance. The BOD, at the apex of the structure, is ultimately responsible for the endorsement of the sustainability strategy and related policies and initiatives within the Group.

The roles and responsibilities of the BOD, CEO and SC within the governance structure for sustainability are described below:

#### Roles and Responsibilities

##### **BOD**

- Reviews and approves the Group's sustainability strategy and related policies and initiatives
- Endorses the proposed sustainability initiatives and progress, and the annual sustainability statement

##### **CEO**

- Guides and advises the key departments on the development of sustainability strategies and initiatives
- Reports to the BOD on the proposed sustainability initiatives

##### **SC**

- Reports to the CEO on progress of the Group's sustainability efforts
- Presents the annual sustainability statement for review and comments
- Monitors data to evaluate the Group's sustainability progress
- Conducts management meetings with key departments to discuss the progress of sustainability-related initiatives and programmes

# SUSTAINABILITY STATEMENT (CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

## 4 Stakeholder Engagement

We have always put our stakeholders at the heart of our business practices. Proactive and ongoing stakeholder engagement is integrated into our daily business operations. It is important for us to understand their issues of interest and continuously engage with them to create shared value and develop ideas together. We have identified stakeholders that are important to our business operation.



## SUSTAINABILITY STATEMENT

### (CONT'D)

The table below shows how we engage with our stakeholders and their areas of interest.

STAKEHOLDER	AREAS OF INTEREST	METHODS OF ENGAGEMENT
Investors	<ul style="list-style-type: none"> <li>• Group's financial performance</li> <li>• High financial return</li> <li>• Global business strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Annual General Meeting</li> <li>• Annual reports</li> <li>• Company's website</li> <li>• Press releases</li> <li>• Press conference</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Efficient complaints resolution</li> <li>• Customer-company relationship management</li> <li>• Safety and security</li> </ul>	<ul style="list-style-type: none"> <li>• Regular clients meetings</li> <li>• Feedback sessions</li> <li>• Customer Satisfaction Surveys</li> <li>• Community and networking events</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Performance management</li> <li>• Training and development programme</li> <li>• Work-life balance</li> <li>• Benefit and remuneration</li> <li>• Occupational health and safety</li> </ul>	<ul style="list-style-type: none"> <li>• Town hall sessions</li> <li>• Circulation of internal policies</li> <li>• Management meetings</li> <li>• Staff appraisals</li> </ul>
Suppliers and Vendors	<ul style="list-style-type: none"> <li>• Transparent procurement practices</li> <li>• Payment schedule</li> <li>• Pricing services</li> <li>• Green sourcing of material</li> </ul>	<ul style="list-style-type: none"> <li>• Evaluation and performance reviews</li> <li>• Contract negotiation</li> <li>• Vendor registration</li> <li>• Open tenders</li> </ul>
Regulatory Agencies and Statutory Bodies	<ul style="list-style-type: none"> <li>• Governance compliance</li> <li>• Labour practices</li> <li>• Occupational safety and health</li> <li>• Environmental management and compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Inspection/audit by local authority</li> <li>• Compliance with Bursa Malaysia's requirements</li> <li>• General meetings with managers and local regulators</li> </ul>
Local Communities	<ul style="list-style-type: none"> <li>• Social Issues</li> <li>• Impact of business operations</li> <li>• Transparency and accountability</li> <li>• Environmental impacts</li> </ul>	<ul style="list-style-type: none"> <li>• Community engagement</li> <li>• CSR programmes</li> <li>• Press releases</li> <li>• Surveys</li> </ul>

# SUSTAINABILITY STATEMENT (CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

## 5 Materiality Assessment

The process of materiality assessment enables us to identify and prioritise our sustainability risks with respect to our economic, environmental and social (EES) risks. This allows us to address the risks which are of highest concern to the Group as well as our stakeholders.

### 1 Identifying Material Sustainability Matters

Workshop was carried out with the Sustainability Committee and the key departments to identify the material sustainability matters by aligning them to the G4 indicators that are relevant to the Group.

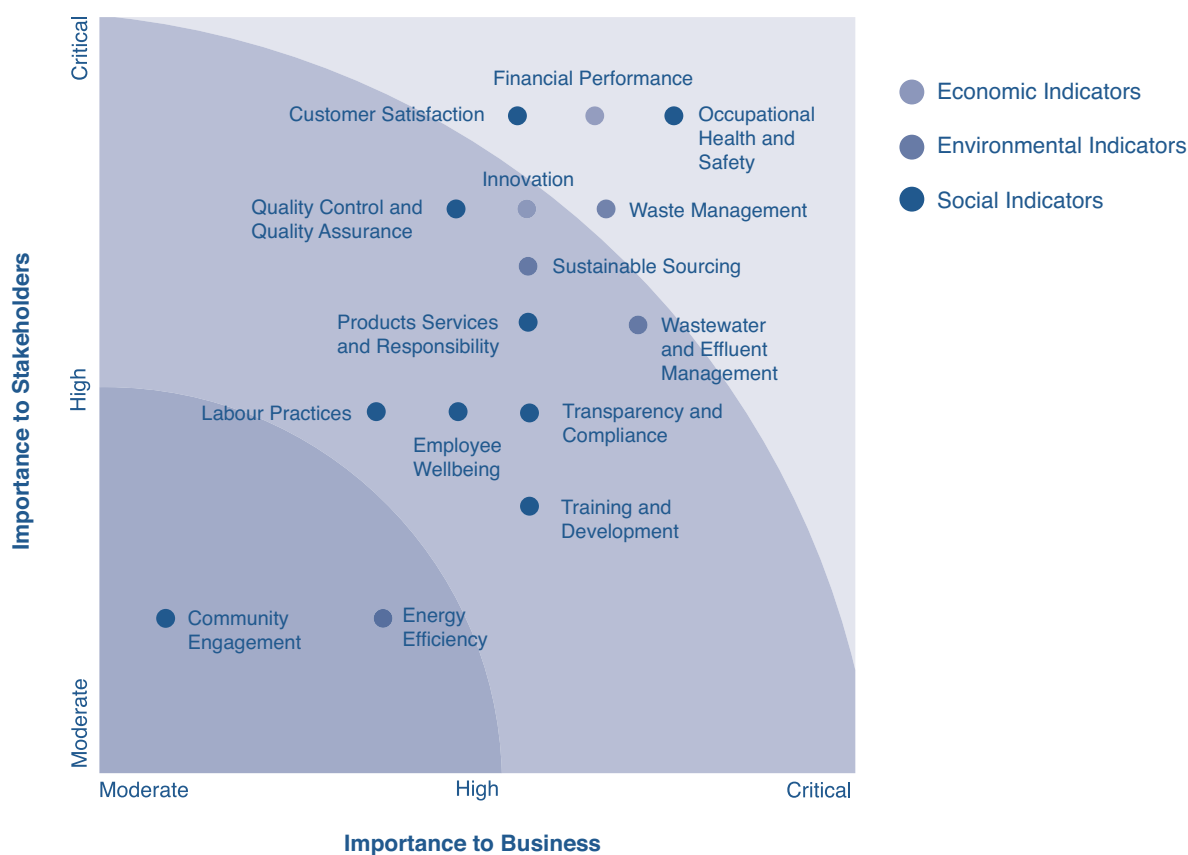
### 2 Ranking Material Sustainability Matters

The material sustainability matters were ranked based on their importance to the Group's business operation and to its stakeholders.

### 3 Deriving Materiality Matrix

The Group's materiality matrix were derived based on the ranking of the material sustainability matters.

The materiality matrix below was derived and finalised based on the assessment method above.





## SUSTAINABILITY STATEMENT

### (CONT'D)

The material sustainability matters are mapped to the relevant stakeholder group(s) and the GRI indicators as shown in the table below.

Material Sustainability Matters	Applicable GRI Indicator(s)	Relevant Stakeholder Group(s)
Corporate Governance	GRI General Standards Disclosures	Investors, Regulatory Agencies and Statutory Bodies
Financial Performance	GRI General Standards Disclosures	Investors, Suppliers and Vendors, Customers
Supply Chain Management	Procurement Practices	Suppliers, Vendors and Customers
Innovation	GRI General Standards Disclosures	Customers
Energy Efficiency	Energy	Local Communities
Sustainable Raw Materials	Supplier Environmental Assessment	Suppliers and Vendors, Customers
Waste Management	Effluents and Waste	Regulatory Agencies and Statutory Bodies
Wastewater and Effluent Management	Water	Local Communities
Regulatory Compliance	Emissions	Local Communities
Community Engagement	Effluents and Waste	Regulatory Agencies and Statutory Bodies
Quality Control and Quality Assurance	Product Service and Labelling	Customers
Labour Practices	Diversity and Equal Opportunity	Employees
Ethics and Integrity	Anti-Corruption	Shareholders/Investors
Customer Satisfaction	Product Service and Labelling	Suppliers and Vendors, Customers
Occupational Health and Safety	Occupational Health and Safety	Employees, Suppliers and Vendors
Products Services and Responsibility	Product Service and Labelling	Suppliers and Vendors, Customers
Training and Development	Training and Development	Employees
Employee Wellbeing	Diversity and Equal Opportunity	Employees

# SUSTAINABILITY STATEMENT

## (CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

## 6 Economy

We continuously seek to improve our year-on-year business performance towards creating long-term positive economic value for our stakeholders.

### 6.1 Financial Performance

During the financial year ended 31<sup>st</sup> January 2018, the Group achieved RM91.4 million and RM0.8 million in revenue and loss before tax ("LBT") respectively. The Group reported operational loss due to unexpected lower sales during the reported period. A comprehensive analysis of our financial results, key operational risks and mitigating controls is discussed in the Management Discussion and Analysis section of this Annual Report.

### 6.2 Innovation

At KYM, we constantly find new ways to increase the efficiency of our business to improve profitability. We invest heavily on innovative technology and machinery as it leads to production efficiency and an increase in product quality. We recently acquired production equipment from Windmoeller & Hoelscher ("W&H") which will enable our monthly production capacity to increase up to 15 million bags to cater to the increasing market demand.

## 7 Environmental

It is our Group's mission to continuously play our part in the conservation and protection of our environment. We are committed to minimise our environmental footprint by operating our manufacturing factories sustainably.

### 7.1 Waste Management

As a responsible manufacturer, we understand the importance of managing our waste efficiently to maintain a sustainable environment. We strive to reduce our waste disposal to the landfill and are committed to ensure compliance with the local regulations.

#### Hazardous Waste

Hazardous waste can pose health hazards to people and the environment if they are not managed appropriately. The hazardous wastes that are generated at our manufacturing facilities are stored, handled and disposed in accordance to the requirements of the Environmental Quality (Scheduled Waste) Regulations, 2005. In line with the regulations, offsite disposal or recycling of the scheduled waste is carried out only by our appointed scheduled waste contractors who are approved by the Department of Environment ("DOE").

#### General Waste

We are able to reduce the production of general waste in the course of our manufacturing process by allowing customers to return the wooden pallets used to transport our product. By reusing the pallets, we operate in a cost-efficient manner thereby reducing the quantity of waste disposed at the landfill.

By using returnable pallets, we help our customers reduce material waste and total cost. However, if damaged pallets are returned, we repair them instead of disposing it. We also have a centralised waste segregation area in our manufacturing facility to encourage the reuse and recycling of wood.

### 7.2 Sustainable Sourcing

We manage our procurement practices responsibly and maintain transparency across our supply chain. Our preference to engage local suppliers over non-local suppliers, encourages local businesses and plays a role in contributing to the local economy. However, there are some limitations on local procurement with regard to sustainable raw material as we only procure from certified paper mills that source wood and fibre from sustainably managed forests which are not available in Malaysia.

We are committed to adopting green procurement practices as part of our business in the multiwall industrial paper sacks and corrugated carton boxes industry. By integrating environmentally sound decisions into the supply-chain management of our manufacturing process, we are able to produce packaging that is sustainable and of low environmental impact.

## SUSTAINABILITY STATEMENT

### (CONT'D)

#### Multiwall Industrial Paper Sacks

It is important to source sustainable raw materials from certified suppliers. 90% of our raw material for the manufacturing of multiwall industrial paper sacks, Sack Kraft papers are certified under the Programme for the Endorsement of Forest Certification ("PEFC") or the Forest Stewardship Council ("FSC"). Both PEFC and FSC provide certification of forests that are managed sustainably. This ensures that the material sourced has not been harvested illegally, or in violation of traditional or civil rights, or in a way that threatens high biodiversity conservation value areas.

#### Corrugated Carton Boxes

KYM's corrugated carton boxes are made from 100% recycled material and therefore uses considerably less energy than producing new products from raw material. The corrugated carton boxes produced are recyclable which means we reduce the quantity of waste material to the landfill. The cardboard material we utilise is biodegradable and therefore we can reduce our impact to the soil and groundwater.

### 7.3 Wastewater and Effluent Management

Wastewater treatment is an important aspect of our operations. Our manufacturing factory in Perak has its own wastewater treatment plant to treat effluent before discharge into the river. We conduct monthly monitoring by engaging an independent third party certified laboratory to analyse the quality of the final discharge released from our treatment plant. This to ensure compliance to the Standard B limits stipulated in the Environmental Quality (Industrial Effluent) Regulations, 2009.

### 7.4 Energy Efficiency

High energy consumption results in an increase in greenhouse gas emissions. KYM has established an Energy and Water Conservation Policy to reduce energy consumption and generate savings at our corporate office and manufacturing facilities. Energy conservation initiatives that we have carried out to date include reduction in consumption, control and monitoring of electricity bills and retrofitting of existing appliances with energy-efficient systems.

Energy Conservation Initiatives	
<b>CONSUMPTION REDUCTION</b>	<ul style="list-style-type: none"> <li>• All lights and machines to be switched off when it is not running or during work-breaks</li> <li>• The last person(s) to leave the production floor must ensure all switches to machines and supporting equipment are switched off</li> <li>• Machines to be switched off by supervisors if they are idle for more than 10 minutes</li> <li>• All office equipment to be switched on standby mode if not in use</li> <li>• Air-conditioners to be switched off if the room is vacant for more than 20 minutes</li> </ul>
<b>CONTROL AND MONITORING</b>	<ul style="list-style-type: none"> <li>• Monthly monitoring and recording of electricity consumption to evaluate our consumption practices</li> </ul>
<b>ENERGY EFFICIENCY</b>	<ul style="list-style-type: none"> <li>• Retrofitted high bay lighting from 400W to LED high bay lighting 150W</li> <li>• Retrofitted 60 pcs of downlight that contribute 80% saving in energy consumption</li> </ul>

# SUSTAINABILITY STATEMENT

## (CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

## 8 Social

### Our Employees

At KYM, a positive work environment is created where our employees can learn, grow and most importantly, work safely. To this end, we have developed people-centric policies and practices, so as to create a supportive and safe environment, conducive both for work and professional growth.

#### 8.1 Transparency and Compliance

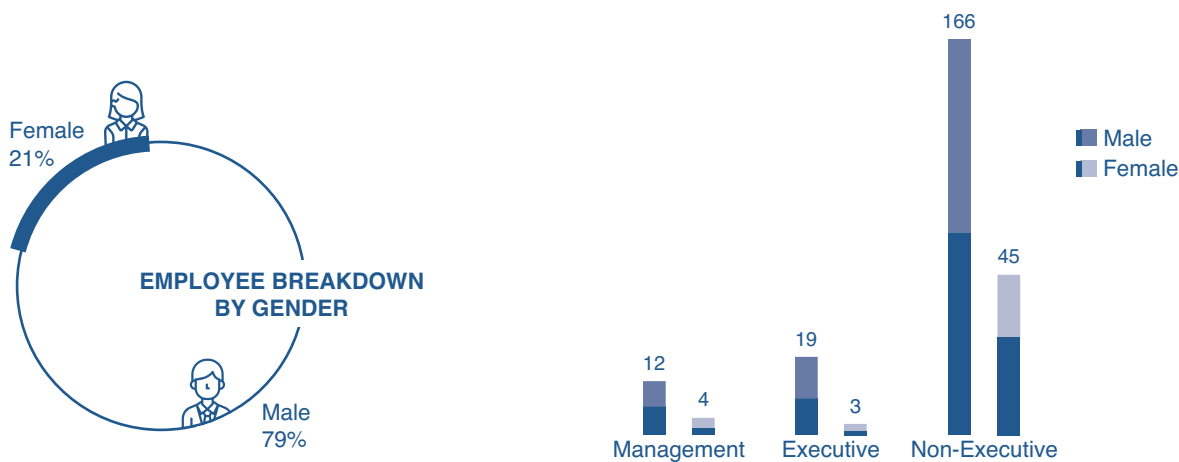
Transparency is a critical component of corporate governance and is achieved through open disclosure by the Board to communicate with our external stakeholders. KYM is committed to ensuring a high standard of corporate governance by adhering to the principles and recommendations set out by the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") and MMLR issued by Bursa Malaysia.

Our stand on anti-corruption is further emphasised by our Business Relationships Policy which states business transactions are to be conducted in a fair and transparent manner. Employees are encouraged to report any misdeeds or unfair transactions. We do not condone any collusion agreements made between our employees and the supplier to secure business transaction. Suppliers that are found to have infringed the Policy will be blacklisted or terminated.

As a responsible Group, we comply with all the relevant laws and regulations set by the government and the local authority. We go beyond compliance by practising sustainable manufacturing practices and adhering to stringent regulations.

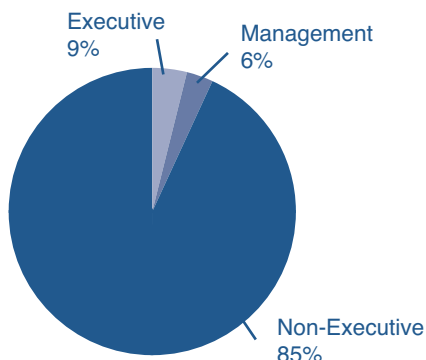
#### 8.2 Employee Distribution

KYM embraces diversity in the workforce. Our employees are hired based on merit and credibility and we do not condone any form of discrimination based on race, age or gender. While male employees constitute 79% of the workforce, female employees constitute only 21%.

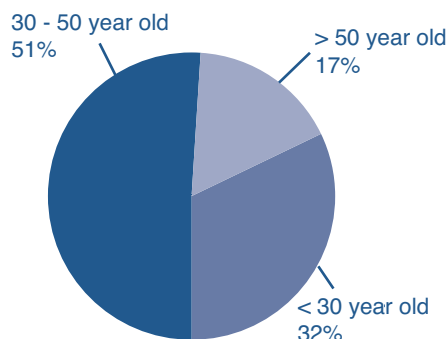


Non-executive employees make up the highest percentage in the employee distribution (85%) due to the labour-intensive work involved in manufacturing. Executive and management level employees comprise of 9% and 6% of the Group's employee distribution, respectively. As shown below, our workforce is fairly well distributed across the different age groups. While 51% of the workforce is below the age of 30, 32% is between 30 to 50 years and 17% is above the age of 50.

## SUSTAINABILITY STATEMENT (CONT'D)



EMPLOYEE BREAKDOWN  
BY EMPLOYMENT LEVEL



EMPLOYEE BREAKDOWN  
BY AGE



### 8.3 Labour Practices

We comply with the requirements of the Employment Act, 1955 and the Minimum Wages Order 2016. Child labour is strictly prohibited in our business operation as we do not employ anyone below the age of 18.

Collective bargaining is a key means through which employers and trade unions can establish fair wages and working conditions. KYM protects workers' rights by allowing them to participate in decision making in areas which are of vital interest to them such as wages, allowance, sick leave, annual leave, etc. Approximately 85% of KYM's workers are covered under the Collective Bargaining Agreement.

### 8.4 Training and Development

Our employees are an important asset. We invest heavily in training and development as we believe the business efficiency, product quality and productivity of KYM hinges on the skill proficiency and competency of our employees. An annual Training Need Analysis is conducted to assess the gap between the skills that our employees currently possess and the ones they require to meet their potential. Some of the key training programmes we provided in FY2018 are listed below.

#### Employee Training Programmes

Vistage Chief Executive Programme  
 Certified Environmental Professional in Scheduled Waste Management  
 Handling Chemical Spillage  
 Forklift Safety Handling  
 Internet Speed and Broadband Coverage  
 Effective Warehouse and Inventory Cost Management  
 5S Management  
 Fire Drill with Bomba

## SUSTAINABILITY STATEMENT (CONT'D)

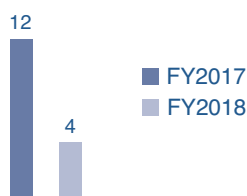
ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

### 8.5 Occupational Health and Safety

Our Safety & Health Policy sets out our commitment to manage health and safety at the workplace. The Policy aims to achieve a zero-accident rate at our manufacturing facilities. To manage occupational, safety and health issues, we have established an Emergency Response Team and Occupational Health, Safety & Environment ("OHSE") Committee at our manufacturing facilities in Perak and Selangor respectively.

#### NUMBER OF WORK-RELATED INJURIES



We are proud to announce that we have reduced work-related injuries in the last two years. In FY2017 we recorded 12 incidences and this was reduced to 4 in FY2018. The significant 67% reduction reaffirms our dedication to provide our employees a safe workplace and our long-term goal to achieve zero-accident rate.

### 8.6 Employee Wellbeing

Keeping our employees motivated and enthusiastic about the work they do, is important in our efforts towards ensuring employee wellbeing. We offer competitive packages to our staff and incentives to those who perform their tasks and assigned jobs with excellence. Throughout FY2018, we organised several methods of engagement with our employees which include annual dinner, team building activities and annual personnel evaluations and feedback.

#### Employee Engagement Methods

**Best Staff Awards** in recognition of our employees' positive contributions

**Long Service Awards** in recognition of our employees' loyal service for 10, 15, 20 and 25 years

**2017 Annual Dinner** for our employees to get to know their colleagues from different departments and business divisions

**2017 Team Building** to create teamwork and bonding among employees

**Annual personnel evaluations and feedback** to gauge employees' satisfaction with the Group

## SUSTAINABILITY STATEMENT (CONT'D)

### Our Customers

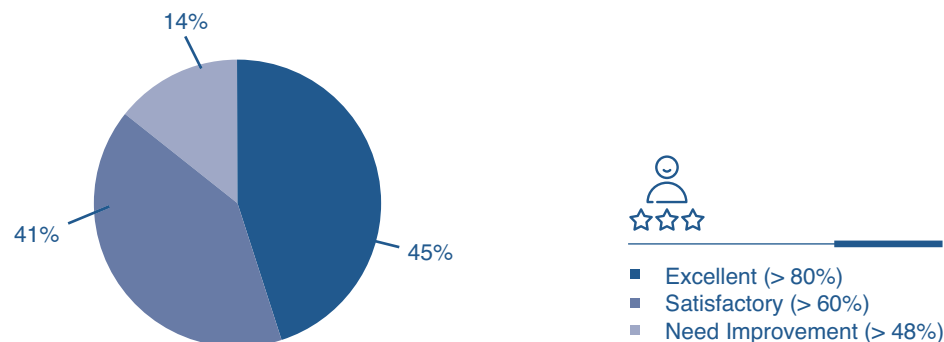
We are committed to deliver quality products and services to our customers. To understand and meet customer requirements and expectations, we regularly engage and seek customer feedback.

#### 8.7 Engaging Our Customers

Customer satisfaction is a top priority for us and in order to gauge customer satisfaction levels, we conduct a customer satisfaction survey annually. The survey covers various aspects of our business, including delivery time, price, product and service quality. By garnering customer feedback regularly we are able to make improvements, where needed and meet the expectations of our customers.

We were pleased to have achieved an overall satisfaction rating of 74.91% for our products and services in the customer satisfaction survey that was conducted in FY2018. As shown in the figure below, 86% of our customers gave us an “excellent” and “satisfactory” rating while 14% felt we needed improvement.

CUSTOMER SATISFACTION SURVEY FY2018



#### 8.8 Product Services and Quality Systems

KYM is the only company in the Malaysian packaging industry that offers after sales service in our effort to retain customers and further ensure customer satisfaction. Furthermore, it gives us a competitive edge over our competitors as we get to build stronger customer relationships and have a better understanding of their expectations and requirements.

An important measure to ensure customers get consistent, good quality products and services, which in turn brings many business benefits, is to abide by stringent quality control and quality management principles. Our efforts in this direction have earned us International Organisation for Standardisation (ISO) Quality Management System certifications.

Our division involved in the manufacturing and printing of multiwall industrial paper sacks, Hasrat Meranti Sdn Bhd is ISO 9001:2015 certified and the certification is valid till 30 January 2020. Additionally, our division involved in the manufacturing of corrugated carton box, KYM Industries (M) Sdn Bhd is ISO 9002: 2016 certified. In order to be certified and maintain the ISO certifications, our divisions are regularly audited by an independent certification body.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

The Board of Directors of KYM is pleased to present this statement which set out an overview on how KYM has applied the key principles set out in the Malaysian Code of Corporate Governance 2017 (“MCCG”) during the financial year ended 31 January 2018.

This overview statement is prepared in compliance with the Bursa Malaysia Main Market Listing Requirements and is to be read in conjunction with the CG Report 2018 of the Company which is available at [www.kym.com.my](http://www.kym.com.my).

Following the release of MCCG, the Company Secretary briefed the Board on the key features of MCCG and the major departures from MCCG 2012. A brief comparison was done between the existing corporate governance practices in the Company and the standards set out in the MCCG. The Board noted the gap and identified a few areas to be focused on to achieve a higher standard of corporate governance practice.

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

### I Board Responsibilities

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.

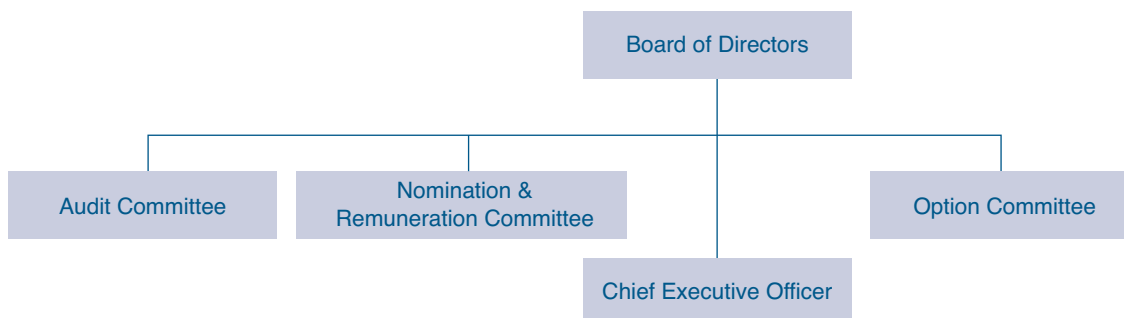
In December 2017, the Board reviewed and approved the amendments to the Board Charter to be in line with the practices in the MCCG.

The roles and responsibilities of the Board which are stated in the updated Board Charter are as follows:

- (a) Promoting together with senior management, good corporate governance culture within the Group which reinforces ethical, prudent and professional behaviour;
- (b) Reviewing and adopting strategic plan of the Group;
- (c) Overseeing the conduct of business of the Group;
- (d) Identifying significant risks and ensuring implementation of a proper risk management system to manage such risks;
- (e) Reviewing the adequacy and the integrity of the management information and the internal control systems of the Company and the Group;
- (f) Establishing executive succession plan; and
- (g) Developing and implementing a shareholder communication policy for the Group.

The Board Charter is available at KYM’s website [www.kym.com.my](http://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.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The Board delegates the day-to-day management of KYM's business to the Chief Executive Officer (CEO), 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.

The roles of the Chairman and CEO of KYM remain separate and distinct. The positions of the Chairman and CEO are held by different individuals. The respective responsibilities of the Chairman and CEO is clearly set out in the Board Charter. The Board Charter also sets out the roles and responsibility of the Executive Director(s), individual Directors and Senior Independent Director.

During the financial year, the Board has formalised a Whistleblowing Policy to provide all Directors and employees of KYM Group a platform to raise concerns or disclose any wrongdoing that may adversely impact the Company without fear of suffering retribution and to provide a transparent and confidential process for dealing with concerns.

The Board is supported by a qualified and competent Company Secretary who assists the Board in fulfilling its fiduciary duties, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices of KYM Group.

The Company Secretary updates the Board on any changes to statutory and regulatory requirements or governance practices concerning their duties and responsibilities.

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

During the financial year, five (5) Board of Directors' meetings were held and the Directors' attendance is as follows:

Name of Director	Attendance
Dato' Seri Dr. Isahak Bin Yeop Mohamad Shar	5/5
Dato' Seri Ir. Mohamad Othman Bin Zainal Azim	5/5
Dato' Lim Kheng Yew	5/5
Datuk Seri Rahadian Mahmud Bin Mohammad Khalil	5/5
Dato' Mohd Azmi Bin Othman	4/5
Lee Ji Jin Darren	5/5
Lim Tze Thean	5/5

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.

Upon conclusion of the meeting, the minutes of the meeting are circulated in the timely manner.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)









## II Board Composition

The Board recognises that an effective board should include the right group of people, with an appropriate mix of skills,

### Board Composition

Non-Independent Executive Director		2
Non-Independent Non-Executive Director		2
Independent Non-Executive Director		3

### Directors' Experiences & Skills

Financial Management/ Accounting		29%
Human Capital		0%
Executive Leadership Experience		100%
Governance & Risk Management		100%
Information Technology		14%
Legal		14%
Property Development		43%
Manufacturing		43%

### Race / Ethnic

Chinese		3
Malay		4

### Age

60 years and above		3
50 - 59		1
40 - 49		1
30 - 39		2

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

knowledge, experience and independent elements that fit the Company's objectives and strategic goals.

Following the appointment of an additional Executive Director on the Board on 30 March 2017, the Board size increased to seven (7) members. Consequently, less than half of the Board comprises Independent Directors.

During the financial year, the Directors attended the in-house training/briefing sessions organised for Directors and/or senior management on the following topics:

1. Malaysian Code on Corporate Governance 2017;
2. Media Training; and
3. Amendments to the Listing Requirements.

In addition to the above, Directors also attended other training sessions during the year:

### **Dato' Seri Ir. Mohamad Othman Bin Zainal Azim**

- Workshop on Driving Financial Integrity and Performance - Enhancing Financial Literacy for Audit Committee

### **Datuk Seri Rahadian Mahmud Bin Mohammad Khalil**

- Training on Corporate Governance

### **Dato' Mohd Azmi Bin Othman**

- Implementing the Companies Act 2016 and Malaysian Code on Corporate Governance 2017: What Director Needs to Know

### **Lee Ji Jin Darren**

- CG Breakfast Series For Directors: Leading Change @ The Brain

### **Lim Tze Thean**

- Monthly CEO Trainings by Vistage Malaysia
- McKinsey Innovation Forum: Digitizing
- Advocacy Sessions to Enhance Quality of Management Discussion & Analysis
- YPO Forum Fundamentals
- 2018 National Budget & Tax Planning

The Board does not have a gender diversity policy or specific target for the appointment of female candidates in the recruitment of Directors. The Board acknowledges the advantages of increasing generational diversity in the Board and believes that the younger Director can bring fresh perspective to the Board. Management has been tasked to identify candidates based on the criteria and the gap as set out by the Nomination & Remuneration Committee (NRC) for consideration. The Board and NRC takes into consideration the current diversity in the age, gender, relevant skills and expertise when evaluating potential candidates for appointment to the Board.

The Board through the NRC carried out an annual assessment of the effectiveness of the Board and Board Committee. The NRC met twice in March and December 2017 to review and discuss the following:

- a) assessment of Board performance;
- b) assessment of the performance of the Audit Committee as a whole;
- c) assessment of the independence of independent director;
- d) assessment of the suitability of Mr Lim Tze Thean for appointment as Executive Director of the Company;
- e) assessment of the retiring Directors who were/are standing for re-election at the 35<sup>th</sup> AGM and forthcoming 36<sup>th</sup> AGM;
- f) criteria for recruitment and annual assessment of Directors; and
- g) the remuneration packages of the Executive Directors.

The assessment was undertaken internally with the assistance of the Company Secretary. Structured questionnaires were prepared taking into consideration the major roles performed by the Board. Further details on the activities of the NRC is set out in the CG Report.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

The assessment of the performance of individual directors was carried out by way of peers evaluation i.e. obtaining responses of individual directors to the questionnaire on a rating scale.

The results of the assessment indicated that the performance of the Board and the Board Committee during the financial year has been good. The Board was able to discharge its duties professionally and effectively as well as uphold the governance standards in their conduct. Nevertheless, the Board agreed to enhance the training needs of the Directors.

## III Remuneration

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, the achievement of the goals, the performance of the individual and the prevailing market practice.

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 payable to Non-Executive Directors are subject to shareholders' approval at the Annual General Meeting. The individuals concerned abstain from discussions of their own remuneration.

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) on a name basis are as follows:

	The Company		The Group					
	Fee RM'000	Allowance RM'000	Fee RM'000	Allowance RM'000	Salary RM'000	Defined Contribution Plan RM'000	Benefits in Kind RM'000	Total RM'000
Dato' Lim Kheng Yew	-	-	-	-	132	16	-	148
Lim Tze Thean	-	-	-	-	259	31	-	290
Non Executives:								
Dato' Seri Dr Isahak Bin Yeop Mohamad Shar	60	3	60	3	-	-	-	63
Dato' Seri Ir Mohamad Othman Bin Zainal Azim	14	4	14	4	-	-	-	18
Datuk Seri Rahadian Mahmud Bin Mohammad Khalil	10	3	10	3	-	-	-	13
Dato' Mohd Azmi Bin Othman	10	3	10	3	-	-	-	13
Lee Ji Jin Darren	10	4	10	4	-	-	-	14
<b>TOTAL</b>	<b>104</b>	<b>17</b>	<b>104</b>	<b>17</b>	<b>391</b>	<b>47</b>		<b>559</b>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE B - EFFECTIVE AUDIT & RISK MANAGEMENT

### I Audit Committee

The Audit Committee comprises a majority of Independent Non-Executive Directors and is chaired by the Senior Independent Non-Executive Director, Dato Seri Ir. Mohamad Othman Bin Zainal Azim. The Audit Committee noted the Practice 8.1 of MCCG in respect of the cooling-off period for a former key audit partner. During the financial year, the Audit Committee has not formalised a policy requiring a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee. The Audit Committee will consider a suitable cooling-off period for a former key audit partner and such practice shall be formalised and included in the Terms of Reference of the Audit Committee by financial year ending 2019.

The Audit Committee conducted an annual assessment of the External Auditors in accordance with the Company's External Auditors Appointment and Independence Policy to assess the suitability and independence of the external auditor.

The NRC carried out an annual assessment of the Audit Committee as a whole and was satisfied that the Audit Committee carried out their duties in accordance with the terms of reference. Details of the NRC activities are disclosed in the CG Report.

### II Risk Management and Internal Control Framework

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.

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 39 to 41 of this Annual Report.

## PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### I Communication with Stakeholders

The Company recognises the significance of being transparent and accountable to its stakeholders. 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 website [www.kym.com.my](http://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.

A dedicated electronic mail was created for the Company to attend to all queries from the investors.

### II Conduct of General Meetings

The Annual General Meeting ("AGM") remains the primary platform for dialogue with shareholders. Notice of the 35<sup>th</sup> AGM was given to the shareholders at least 28 days prior to the meeting.

All Directors were present at the 35<sup>th</sup> AGM held on 5 July 2017 to respond to shareholders' questions during the meeting. At the AGM, the Chairman of the Board chaired the meeting and encouraged shareholders' participation. All the shareholders or proxies were given every opportunity to ask questions and seek clarification on the business and performance of the Group.

The Board has reviewed and approved this Corporate Governance Overview Statement on 8 May 2018.

# AUDIT COMMITTEE REPORT

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

## 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	-	Non-Independent Non-Executive Director
<i>(Fellow of Association of Chartered Certified Accountants, United Kingdom)</i>		

The composition of the Audit Committee ("AC") during the financial year complied with the Listing Requirements of Bursa Malaysia Securities Berhad.

The term of office and the performance of the AC as a whole was evaluated by the Nomination & Remuneration Committee ("NRC"). The NRC is satisfied that the Audit Committee and its members have carried out their duties in accordance with the Terms of Reference of the AC.

## MEETING AND ATTENDANCE

The AC held five (5) meetings during the financial year. The attendance of the AC members is shown below:-

Name of Director	Attendance
Dato' Seri Ir. Mohamad Othman Bin Zainal Azim	5/5
Dato' Mohd Azmi Bin Othman	4/5
Lee Ji Jin Darren	5/5

The Group's CEO was invited to all AC 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 AC to present all financial results and to clarify any issues relating to financial reporting. The Director of the engagement team of the outsourced internal audit function and the SBU Head of the respective auditees were invited to present the internal audit report, provide clarifications on the audit findings highlighted by the internal auditors in the internal audit report and update the status of the proposed action plans by the Management.

Minutes of each AC meeting are recorded and tabled for confirmation and approval at the following meeting and subsequently presented to the Board for notation. The AC Chairman also conveys to the Board key matters deliberated at the AC meetings and matters of significant concerns as and when raised by the external or internal auditors.

## ACTIVITIES OF THE AUDIT COMMITTEE

The activities of the AC during the financial year were summarised as follows:

### Financial Reporting

- The AC reviewed the unaudited quarterly financial results and audited financial statements of the Group with an aim in ensuring that the interim financial reports and financial statements were prepared in accordance with the approved Malaysian Financial Reporting Standards ("MFRSs"), the International Financial Reporting Standards ("IFRSs"), the Companies Act 2016 and other statutory requirements. In reviewing the interim financial report, the Financial Controller provided explanations on the analysis of the quarterly results and major variances. The CEO briefed on the Group's business operations, factors affecting the Group's performance and market outlook;
- The Financial Controller also provided assurance to the AC that appropriate accounting policies had been adopted and applied consistently;

## AUDIT COMMITTEE REPORT (CONT'D)

- The AC discussed the impact of any changes to the accounting policies and adoption of new accounting standards as well as accounting treatments used in the financial statements; and
- At the Board Meetings, the Chairman of the AC briefed the Board on the significant accounting issues raised in respect of the interim financial report or financial statements and presented the recommendations of the AC for Board's approval.

### External Auditors

- The AC had on 30 March 2017, reviewed and deliberated with the External Auditors, the audit findings and accounting issues in respect of their financial audit for the financial year ended 31 January 2017. In the aforesaid meeting, the External Auditors identified the following key audit matters which had been presented in the Independent Auditors' Report for year ended 31 January 2017:
  - Impairment of Goodwill on Consolidation; and
  - Impairment of Property, Plant and Equipment.
- The External Auditors had on 30 March 2017, provided a written assurance to the AC 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.
- The AC had, at the same meeting, reviewed the non-audit services rendered by the External Auditors during the financial year. The non-audit services rendered by the External Auditors and its network firms were mainly the annual review of the Statement on Risk Management and Internal Control and tax compliances. The total fees incurred by the Group for non-audit services rendered by Crowe Horwath and its network firms during the financial year ended 31 January 2017 were RM69,300. Considering the nature and scope of the non-audit service, the Audit Committee was of the opinion the independence of the External Auditors is not impaired by the provision of such non-audit services to the Group.
- The AC had on 11 May 2017, discussed with the External Auditors on the final draft of the audited financial statements of the Company for the financial year ended 31 January 2017. The External Auditors was of the opinion that the Company's audited financial statements gave a true and fair view of the financial position of the Company and its group in accordance with the MFRSs, IFRSs and requirements of the Companies Act 2016.
- At the meeting held on 18 December 2017, the AC reviewed and discussed with the External Auditors the Group's audit plan prior to the commencement of audit for financial year ended 31 January 2018 ("2018 APM"). The 2018 APM outlines the audit approach, areas of audit emphasis, audit engagement team, audit timeline and proposed audit fees. The External Auditors performed enquiries on matters required under the International Standards on Auditing ("ISA") and updated the AC with the new and latest changes in accounting standards and interpretations. The AC, upon due deliberation, approved the 2018 APM for implementation in accordance with the audit timeline.
- The AC assessed the performance, suitability and independence of the External Auditors in accordance with the External Auditors' Appointment and Independence Policy and based on the quality of work of the audit team, sufficiency of resources, the AC's communication with the External Auditors during the interaction and private session with the lead engagement partner and engagement team, as well as the observations and feedback from the personnel of KYM who has substantial dealing with the engagement team during the financial year.

Based on the abovementioned assessments, the AC concluded that they are completely satisfied with the performance of the external audit team who has demonstrated independence, objectivity and professional scepticism and the suitability of Crowe Horwath as a firm. The AC recommended to the Board for approval the appointment of Crowe Horwath as External Auditors for the financial year ending 31 January 2019.

The Board at its Board Meeting held on 8 May 2018 approved the AC's recommendation and recommended the re-appointment of Crowe Horwath as the External Auditors to be tabled at the 36<sup>th</sup> Annual General Meeting.



# AUDIT COMMITTEE REPORT

## (CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

- As set out in the External Auditors' Appointment and Independence Policy, the lead partner and the review or concurring partner of the External Auditors must be rotated at least every five (5) years. Mr Ngiam Mia Teck became the lead engagement partner responsible for the financial statements of KYM Group in 2017 in place of Mr Cheong Tze Yuan who has been rotated after having served for five (5) years.
- During the financial year, the AC had one private discussion with the External Auditors on 18 December 2017, without the presence of the CEO and Management. During the private session with the External Auditors, Management's attitude toward financial reporting, the proficiency and adequacy of people in the accounts/finance departments of the respective operating subsidiaries and issues arising from the final audit were raised.

### 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 2017/2018:
  - Sales and Collection
  - Inventory Management
  - Credit Control
  - Production Management
  - Human Resource Management (Non-Management Level Staff)
  - Procurement
  - Treasury Management
- The proposed audit plan had been prepared based on the risk profile of KYM Group. The internal audit review had been carried out on those areas which the risks are regarded as medium to high.
- Three (3) internal audit reports outlining the weaknesses, audit recommendations and the management action plan were reviewed and discussed at the AC Meetings held on 20 June 2017, 28 September 2017 and 18 December 2017. The observations will be broken down by sub-processes and implementation priority. Observation that is classified as Moderate or High Priority will be highlighted to the AC.

### Related Party Transactions

- The AC reviewed the recurrent related party transactions ("RRPT") entered pursuant to the Shareholders' Mandate at every scheduled meetings to ensure that the transactions were not favorable to the related parties than those generally available to the public and not detrimental to the minority shareholders.

### Others

- The AC reviewed the Audit Committee Report and Statement on Risk Management and Internal Control and recommended to the Board for inclusion in the 2018 Annual Report.

## AUDIT COMMITTEE REPORT (CONT'D)

### INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to an independent external party, Axcelasia Columbus Sdn. Bhd. which reports directly to the AC. Further information on the resources and independence of the engagement team of the outsourced internal audit function is provided in the CG Report in accordance with Practice 10.2 of the MCCG. The Internal Auditors whose principal responsibility is to evaluate and improve the effectiveness of risk management, control and governance processes. This is accomplished through a systematic and disciplined approach of regular reviews and appraisals of the management, control and governance processes based on the internal audit plan that is approved by the AC annually.

Three (3) audit reviews covering the following business processes were conducted during the financial year:-

- Sales and Collection
- Inventory Management
- Credit Control
- Production Management
- Human Resource Management (Non-Management Level Staff)
- Procurement
- Treasury Management

A total of nineteen (19) observations were raised of which six (6) were classified as High Priority which implementation of action must commence within 3 months from the date of the report.

The Internal Audit Reports were reviewed by the AC and the relevant management personnel were made responsible for the corrective actions.

The Internal Auditors conducted follow-up assessment on the internal audit observations highlighted in previous audit report and presented the results of the follow-up assessment to the AC. The AC discussed and followed up on the status of the Management Action Plans in relation to the audit findings to ensure the Management has taken appropriate actions to address the weaknesses highlighted by the internal auditors within the proposed timeline.

The AC Chairman reported the significant findings highlighted by the Internal Auditors to the Board of Directors after each AC meeting.

Cost incurred for the internal audit function in respect of the financial year ended 31 January 2018 is RM63,000.00.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

This Statement on Risk Management and Internal Control, which 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”), outlines the nature and scope of the Group’s internal control and risk management for financial year ended 31 January 2018.

## 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’s 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 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 identified major business risks and financial risks affecting the Group’s core business (manufacturing)

Identify

Management assessed these risks based on their potential impact on the business and likelihood of the risks happening

Measure

Management has established a risk register accordingly and classified the risks as high, medium and low

Management  
& Control

All the Heads of the Strategic Business Units are responsible for managing the risks of their respective units

Review &  
Report

Review and report changes to risk profiles and identify emerging risk

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

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, Axcelasia Columbus 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.

### INTERNAL CONTROL STRUCTURE AND PROCESSES

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

#### (1) Responsibility and Authority Limits

- An organisational structure has defined roles and responsibilities with appropriate limits of authority. During the financial year under review, the responsibilities and functions of the Board of Directors was reviewed and set out in the revised board charter issued in December 2017. 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 in accordance with their respective terms and reference. 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.
- Different authority limits are set for different categories of managers for the procurement of capital expenditure and approval of general and operational expenses. Similarly, cheque signatories and authority limits are clearly defined and enforced.

#### (2) Strategic Planning and Monitoring

- 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.
- 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 and approval. The actual performance versus the approved financial budgets are reviewed by the Board half yearly. Financial performance variances are presented to the Board on quarterly basis.
- 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.

#### (3) Policies and Standard Operating Procedures

- 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 Quality Management System 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.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

## (4) Assurance Compliance

- 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.

## (5) Conduct of Employees

- 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.
- A Whistleblowing Policy was formalised during the financial year to provide an avenue to all Directors and employees of the Group to raise concerns or disclose any wrong doing that may adversely impact the Group without fear of suffering retribution and to provide a transparent and confidential process for dealing with concerns.

## 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 2018, 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, 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 8 May 2018.

## ADDITIONAL COMPLIANCE INFORMATION

### 1. STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE 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 2018, 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.

### 2. EMPLOYEES SHARE OPTION SCHEME

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:

	Since commencement of the Scheme on 16 May 2010			
	Aggregate ESOS Options Granted	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.

### 3. NON - AUDIT FEES

The details of fees paid/payable to the external auditors or a firm affiliated with the auditors' firm during the financial year is set out below:

	The Group RM	The Company RM
Audit Fees	167,100	34,000
Non-Audit Services	69,300	8,000

### 4. MATERIAL CONTRACTS

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 2018.

### 5. UTILISATION OF PROCEEDS

The company did not raise proceeds from any corporate exercise during the financial year.

# FINANCIAL STATEMENTS

44

Directors' Report

---

48

Statement by Directors

---

48

Statutory Declaration

---

49

Independent Auditors' Report

---

52

Statements of Financial Position

---

54

Statements of Profit or Loss and  
Other Comprehensive Income

---

56

Statements of Changes in Equity

---

58

Statements of Cash Flows

---

61

Notes to the Financial Statements

---

## 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 2018.

### 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
(Loss)/Profit after taxation for the financial year	(880)	288
Attributable to:-		
Owners of the Company	(880)	288
Non-controlling interests	( <sup>^</sup> )	-
	(880)	288

Note:

(<sup>^</sup>) represents (RM174)

### DIVIDENDS

No dividend was recommended by the Directors for the 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 ESOS will be expiring on 15 May 2020.

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



## DIRECTORS' REPORT (CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

### 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.

### CONTINGENT AND OTHER LIABILITIES

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' REPORT

### (CONT'D)

#### DIRECTORS

The names of directors of the Company who served during 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 Seri 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)

The names of directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:-

Lim Kheng Ee @ Lim Kheng Yee  
Lim Kheng Eng  
Mok Tuck Meng  
Tan Peng Aun

#### 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 1.2.2017/ Date of Appointment	Bought	Sold
<i>Direct Interests in the Company</i>			
- Dato' Lim Kheng Yew	2,000,000	-	-
- Dato' Mohd Azmi Bin Othman	42,000	-	-
- Lee Ji Jin Darren	110,000	-	-
- Lim Tze Thean	3,094,400	205,600	-
<i>Indirect Interests in the Company</i>			
- Dato' Lim Kheng Yew	53,844,400	-	(3,094,400)
- Lim Tze Thean	7,000,000	-	-

	Number of Options over Ordinary Shares		
	At 1.2.2017	Granted	Exercised
<i>Share Options of the Company</i>			
- Dato' Seri Dr. Isahak Bin Yeop Mohamad Shar	760,000	-	-
- Dato' Lim Kheng Yew	1,000,000	-	-
- Datuk Seri Rahadian Mahmud Bin Mohammad Khalil	300,000	-	-
- Dato' Seri Ir. Mohamad Othman Bin Zainal Azim	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' REPORT**

**(CONT'D)**

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

### **DIRECTORS' BENEFITS**

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the financial statements or the fixed salary of a full-time employee of the Company or related corporations) 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 certain directors have substantial financial interests as disclosed in Note 42 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 certain directors pursuant to the ESOS of the Company.

### **DIRECTORS' REMUNERATION**

The details of the directors' remuneration paid or payable to the directors of the Company during the financial year are disclosed in Note 35 to the financial statements.

### **INDEMNITY AND INSURANCE COST**

During the financial year, the amount of indemnity coverage and insurance premium paid for the directors and officers of the Company were RM10 million and RM12,748 respectively.

### **SUBSIDIARIES**

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

### **AUDITORS**

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

The auditors' remuneration are disclosed in Note 32 to the financial statements.

Signed in accordance with a resolution of the directors dated 8 May 2018

**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 52 to 116 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 2018 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated 8 May 2018

**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, MIA Membership Number: CA 1820, 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 52 to 116 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned  
Dato' Lim Kheng Yew  
at Kuala Lumpur  
in the Federal Territory  
on this 8 May 2018

Before me

**Dato' Lim Kheng Yew**

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

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(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 2018 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 52 to 116.

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 2018, 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 of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *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 matter described below to be the key audit matter 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 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.</p> <p>We focused on this area because of the inherent judgement involved in determining key assumptions such as future sales growth, profit margins, discount rates and terminal value.</p>	<p>Our procedures included, among others:-</p> <p>(a) Making enquiries of and challenging the management on the key assumptions made, which included the following:-</p> <ul style="list-style-type: none"> <li>(i) the achievability of the business plan; and</li> <li>(ii) sales growth, profit margins, discount rates and terminal value;</li> </ul> <p>(b) Performing sensitivity analysis on key assumptions and agreeing with management's conclusion that reasonable possible changes to the assumptions would require the goodwill to be impaired; and</p> <p>(c) Assessing 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)****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 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.

**Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

# INDEPENDENT AUDITORS' REPORT

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

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

## Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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

- 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 the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current 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.

## 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

8 May 2018

Kuala Lumpur

**Ngiam Mia Teck**  
Approval No: 03000/07/2018 J  
Chartered Accountant

**STATEMENTS OF FINANCIAL POSITION****AT 31 JANUARY 2018**

		The Group		The Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	-	-	27,284	27,284
Other investments	6	1	2	-	-
Property, plant and equipment	7	69,554	53,168	54	76
Investment properties	8	41,622	41,262	-	-
Intangible asset	9	4,667	4,667	-	-
		115,844	99,099	27,338	27,360
CURRENT ASSETS					
Inventories	10	24,014	19,592	-	-
Trade receivables	11	16,036	18,532	-	-
Other receivables, deposits and prepayments	12	4,114	6,484	323	322
Amount owing by subsidiaries	13	-	-	37,535	37,372
Current tax assets		2,297	1,797	-	-
Short-term investment	14	11	1,161	11	1,161
Fixed deposits with licensed banks	15	1,271	267	-	-
Cash and bank balances		1,387	2,505	81	104
		49,130	50,338	37,950	38,959
TOTAL ASSETS		164,974	149,437	65,288	66,319
EQUITY AND LIABILITIES					
EQUITY					
Share capital	16	110,381	110,381	110,381	110,381
Employees' share option reserve	17	853	853	853	853
Revaluation reserve	18	72	72	-	-
Accumulated losses		(20,290)	(19,410)	(76,357)	(76,645)
Equity attributable to owners of the Company		91,016	91,896	34,877	34,859
Non-controlling interests		(1)	(1)	-	-
TOTAL EQUITY		91,015	91,895	34,877	34,859
NON-CURRENT LIABILITIES					
Hire purchase payables	19	14,944	319	-	-
Term loans	20	1,096	1,586	-	-
Deferred tax liabilities	21	9,698	9,765	-	-
		25,738	11,670	-	-

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



# STATEMENTS OF FINANCIAL POSITION

AT 31 JANUARY 2018  
(CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

		The Group		The Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CURRENT LIABILITIES					
Trade payables	22	16,501	12,890	-	-
Other payables and accruals	23	5,023	9,138	442	423
Amount owing to subsidiaries	13	-	-	29,497	29,829
Amount owing to related parties	24	755	570	472	472
Amount owing to a director	25	77	77	-	-
Hire purchase payables	19	3,997	235	-	6
Short-term borrowings	26	16,078	20,272	-	1,000
Bank overdrafts	27	5,790	2,690	-	-
		48,221	45,872	30,411	31,730
TOTAL LIABILITIES		73,959	57,542	30,411	31,730
TOTAL EQUITY AND LIABILITIES		164,974	149,437	65,288	66,319

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 2018

		The Group		The Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
REVENUE	28	91,384	96,003	-	-
COST OF SALES	29	(82,873)	(85,161)	-	-
GROSS PROFIT		8,511	10,842	-	-
OTHER INCOME	30	5,442	3,038	1,106	6,748
		13,953	13,880	1,106	6,748
SELLING AND DISTRIBUTION EXPENSES	31	(3,964)	(4,132)	-	-
ADMINISTRATIVE EXPENSES	32	(5,879)	(6,471)	(658)	(666)
OTHER EXPENSES	33	(3,676)	(958)	(36)	(244)
FINANCE COSTS	34	(1,234)	(1,659)	(124)	(427)
(LOSS)/PROFIT BEFORE TAXATION		(800)	660	288	5,411
INCOME TAX EXPENSE	36	(80)	(25)	-	-
(LOSS)/PROFIT AFTER TAXATION		(880)	635	288	5,411
OTHER COMPREHENSIVE INCOME, NET OF TAX	37				
<u>Item that Will Not be Reclassified Subsequently to Profit or Loss</u>					
Revaluation of property, plant and equipment		-	72	-	-
TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE FINANCIAL YEAR		(880 )	707	288	5,411

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 2018  
(CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

		The Group		The Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>(LOSS)/PROFIT AFTER TAXATION</b>					
<b>ATTRIBUTABLE TO:-</b>					
Owners of the Company		(880)	636	288	5,411
Non-controlling interests		( <sup>^</sup> )	(1)	-	-
		(880)	635	288	5,411
<b>TOTAL COMPREHENSIVE (EXPENSES)/</b>					
<b>INCOME ATTRIBUTABLE TO:-</b>					
Owners of the Company		(880)	708	288	5,411
Non-controlling interests		( <sup>^</sup> )	(1)	-	-
		(880)	707	288	5,411
<b>(LOSS)/EARNINGS PER SHARE (SEN)</b>					
	38				
Basic		(0.59)	0.42		
Diluted		(0.59)	0.42		

Note:

(<sup>^</sup>) represents (RM174)

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

## STATEMENTS OF CHANGES IN EQUITY

### FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

The Group	Note	Share Capital RM'000	Share Premium RM'000	Employees' Share Option Reserve RM'000	Revaluation Reserve RM'000	Accumulated Losses RM'000	Attributable To Owners Of The Company RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Balance at 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 31.1.2017/1.2.2017		110,381	-	853	72	(19,410)	91,896	(1)	91,895
Loss after taxation/Total comprehensive expenses for the financial year		-	-	-	-	(880)	(880)	(^)	(880)
Balance at 31.1.2018		110,381	-	853	72	(20,290)	91,016	(1)	91,015

Notes:

(\*) represents (RM436)

(^) represents (RM174)

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

# STATEMENTS OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

(CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

	Note	Share Capital RM'000	Share Premium RM'000	Employees' Share Option Reserve RM'000	Accumulated Losses RM'000	Total Equity RM'000
<b>The Company</b>						
Balance at 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 31.1.2017/1.2.2017		110,381	-	853	(76,645)	34,589
Profit after taxation/Total comprehensive income for the financial year		-	-	-	288	288
Balance at 31.1.2018		110,381	-	853	(76,357)	34,877

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

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

		The Group		The Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
(Loss)/Profit before taxation		(800)	660	288	5,411
Adjustments for:-					
Bad debts written off		-	10	14	29
Depreciation of property, plant and equipment		4,456	4,484	22	31
Deposit forfeited		45	-	-	-
Dividend income		(4)	(80)	(1,004)	(2,080)
Fair value (gain)/loss on investment properties		(42)	143	-	-
Gain on disposal of other investments		(#)	(^)	-	-
Loss/(Gain) on disposal of property, plant and equipment		22	(205)	(35)	(104)
Impairment losses on other investments		-	184	-	184
Impairment losses on property, plant and equipment		2,489	-	-	-
Impairment losses on trade receivables		-	57	-	-
Inventories written off		-	25	-	-
Gain on return of used equipment to a supplier		(9)	-	-	-
Interest expense		1,234	1,659	124	427
Interest income		(19)	(13)	(13)	(12)
Reversal of allowance for impairment loss on amount owing by subsidiaries		-	-	(25)	(3,377)
Reversal of over-accrued quit rent		(3,827)	-	-	-
Waiver of amount owing to a related party		-	(1,168)	-	(1,168)
Operating profit/(loss) before working capital changes carried forward		3,545	5,756	(629)	(659)

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

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

(CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

		The Group		The Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Operating profit/(loss) before working capital changes brought forward		3,545	5,756	(629)	(659)
(Increase)/Decrease in inventories		(4,422)	521	-	-
Decrease/(Increase) in trade and other receivables		5,033	(1,182)	(1)	(9)
Increase in trade and other payables		3,342	2,319	19	2
<b>CASH FROM/(FOR) OPERATIONS</b>		<b>7,498</b>	<b>7,414</b>	<b>(611)</b>	<b>(666)</b>
Income tax refunded		189	149	-	11
Income tax paid		(836)	(373)	-	-
Interest paid		(1,199)	(1,659)	(124)	(427)
<b>NET CASH FROM/(FOR) OPERATING ACTIVITIES</b>		<b>5,652</b>	<b>5,531</b>	<b>(735)</b>	<b>(1,082)</b>
<b>CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES</b>					
Proceeds from disposal of other investments		1	*	-	-
Interest received		19	12	13	12
Dividend received		4	80	1,004	2,080
Proceeds from disposal of property, plant and equipment		35	596	35	104
Purchase of property, plant and equipment	39	(5,342)	(1,333)	-	-
(Advances to)/Repayment from subsidiaries		-	-	(152)	941
Placement of fixed deposits with licensed banks		(1,004)	-	-	-
<b>NET CASH (FOR)/FROM INVESTING ACTIVITIES</b>		<b>(6,287)</b>	<b>(645)</b>	<b>900</b>	<b>3,137</b>
<b>Balance carried forward</b>		<b>(635)</b>	<b>4,886</b>	<b>165</b>	<b>2,055</b>

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

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

### (CONT'D)

		The Group		The Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Balance brought forward		(635)	4,886	165	2,055
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>					
Advances from/(Repayment to) related parties		185	(178)	-	-
Repayment to directors		-	(58)	-	-
Net (repayment)/drawdown of bills payable		(2,928)	4,135	-	-
Repayment of hire purchase obligations		(234)	(539)	(6)	(112)
Repayment of term loans		(3,662)	(6,471)	(1,000)	(4,000)
Net drawdown of bankers' acceptances		2,986	304	-	-
Repayment of revolving credit		(1,080)	(1,080)	-	-
Repayment to subsidiaries		-	-	(332)	(2,019)
<b>NET CASH FOR FINANCING ACTIVITIES</b>	40	<b>(4,733)</b>	<b>(3,887)</b>	<b>(1,338)</b>	<b>(6,131)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(5,368)</b>	<b>999</b>	<b>(1,173)</b>	<b>(4,076)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		<b>976</b>	<b>(23)</b>	<b>1,265</b>	<b>5,341</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	41	<b>(4,392)</b>	<b>976</b>	<b>92</b>	<b>1,265</b>

## Notes:

- \* represents RM481
- (^) represents (RM70)
- (#) represents (RM46)

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



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

### 1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in 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 8 May 2018.

### 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)

Amendments to MFRS 107: Disclosure Initiative

Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements to MFRS Standards 2014 – 2016 Cycles: Amendments to MFRS 12: Clarification of the Scope of the Standard

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 except as follows:-

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. A reconciliation between opening and closing balances of these items is provided in Note 40 to the 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 as 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

MFRS 17 Insurance Contracts

1 January 2021

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

1 January 2018

IC Interpretation 23 Uncertainty over Income Tax Treatments

1 January 2019

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

### (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 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 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
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 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 140 – Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	
• Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters	1 January 2018
• Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2019
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

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 guidance in MFRS 139 on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the financial assets are managed and their cash flow characteristics. The new standard contains 3 principal classification categories for financial assets (measured at amortised cost, fair value through profit or loss, fair value through other comprehensive income) and eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available-for-sale financial assets.

MFRS 9 replaces the 'incurred loss' model in MFRS 139 with an 'expected credit loss' ("ECL") model. The new impairment model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. It involves a 3-stage approach under which financial assets move through the stages as their credit quality changes. This new impairment model applies to financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets, lease receivables, loan commitments and certain financial guarantee contracts.

The Group is currently assessing the impact of implementing MFRS 9. As a result, the potential impact on the adoption of this standard would only be observable when the assessment is completed later.

- (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 about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

As at the date of authorisation of issue of the financial statements, the assessment of implementing MFRS 15 has not been finalised. Thus, the potential impact of the adoption of this standard cannot be determined and estimated reliably until the assessment is completed later.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

### (CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

### 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 MASB but are not yet effective for the current financial year (cont'd):-

- (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 Group is currently assessing the financial impact that may arise from the adoption of this standard.
- (d) Under MFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to MFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

### 4. SIGNIFICANT ACCOUNTING POLICIES

#### 4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

##### *Key Sources of Estimation Uncertainty*

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, other than as disclosed 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. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 7 to the financial statements.

##### **(b) Valuation of Investment Properties**

Investment properties of the Group are reported at fair value which is based on valuations performed by independent professional valuers.

The independent professional valuers have exercised judgement in determining property size, location, market trends and other factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting fair value. The carrying amount of investment properties as at the reporting date is disclosed in Note 8 to the financial statements.

##### **(c) Impairment of Goodwill**

The assessment of whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating unit to which the goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at the reporting date is disclosed in Note 9 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

### (CONT'D)

#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

###### *Key Sources of Estimation Uncertainty (cont'd)*

###### **(d) Impairment of Property, Plant and Equipment**

The Group determines whether its property, plant and equipment is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 7 to the financial statements.

###### **(e) 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. The carrying amount of available-for-sale equity investments as at the reporting date is disclosed in Note 6 to the financial statements.

###### **(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. The carrying amount of inventories as at the reporting date is disclosed in Note 10 to the financial statements.

###### **(g) 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. The carrying amounts of receivables as at the reporting date are disclosed in Notes 11, 12 and 13 to the financial statements.

###### **(h) 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. The carrying amount of current tax assets as at the reporting date approximated RM2,297,000 (2017 - RM1,797,000).

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

(CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

###### *Critical Judgements Made in Applying Accounting Policies*

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

###### **(a) 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.

###### **(b) 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.

###### **(c) 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.

###### **(d) 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.

##### 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

### (CONT'D)

#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.2 BASIS OF CONSOLIDATION (CONT'D)

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated 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.

##### (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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

### (CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 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 immediately.

##### 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.

###### (b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange 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.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

### (CONT'D)

#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.5 FINANCIAL INSTRUMENTS (CONT'D)

###### (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.

###### (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.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

(CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.5 FINANCIAL INSTRUMENTS (CONT'D)

##### (a) Financial Assets (cont'd)

###### (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.

##### (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 initially at cost and are not remeasured subsequently. Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

### (CONT'D)

#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.5 FINANCIAL INSTRUMENTS (CONT'D)

###### (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.

##### 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

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use, and the costs dismantling and removing the items and restoring that site on which they are located.

Subsequent to initial recognition, all property, plant and equipment, other than freehold land and buildings, are stated at cost less accumulated depreciation and any impairment losses.

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.

Freehold land is not depreciated. Depreciation on other property, plant and equipment 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%

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

### (CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.7 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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. Any changes are accounted for as a change in estimate.

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.

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.

##### 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 flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

### (CONT'D)

#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.8 IMPAIRMENT (CONT'D)

###### (b) Impairment of Non-financial Assets (cont'd)

An impairment loss is recognised in profit or loss immediately.

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, unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

##### 4.9 LEASED ASSETS

###### (a) Finance Lease

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.

###### (b) Operating Lease

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 statement of financial position of the Group and of the Company.

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.

##### 4.10 INVESTMENT PROPERTIES

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Subsequent to initial recognition, investment properties are stated at fair value with fair value changes recognised in profit or loss.

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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

(CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.10 INVESTMENT PROPERTIES (CONT'D)

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 cost method and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition. The cost of conversion includes cost directly related to the units of production, and a proportion of fixed production overheads based on normal capacity of the production facilities.

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.

##### 4.13 BORROWING COSTS

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

##### 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 bonuses are measured on an undiscounted basis and are recognised in 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").

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

### (CONT'D)

#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.15 EMPLOYEE BENEFITS (CONT'D)

###### (c) Share-based Payment Transactions (cont'd)

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.

##### 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 are recognised using the liability method for all temporary differences other than those that arise from goodwill 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 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.

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 the related tax benefits will be realised.

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.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

(CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.16 INCOME TAXES (CONT'D)

Current tax assets and liabilities or 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 (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

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

Revenues, expenses and assets are recognised net of GST except for the GST in a purchase 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.

In addition, receivables and payables are also 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.

##### 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 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.

##### 4.19 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

### (CONT'D)

#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 4.20 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, unless the probability of outflow of economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

##### 4.21 REVENUE AND OTHER INCOME

Revenue is measured at the fair value of the consideration received or receivable, net of returns, goods and services tax, cash and trade discounts.

###### (a) Sale of Goods

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the buyer and where the Group does not have continuing managerial involvement and effective control over the goods sold.

###### (b) Services

Revenue is recognised upon rendering of services and when the outcome of the transaction can be estimated reliably.

###### (c) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

###### (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.

#### 5. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2018 RM'000	2017 RM'000
Unquoted shares, at cost	75,590	75,590
Accumulated impairment losses	(48,306)	(48,306)
	27,284	27,284



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

### (CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

#### 5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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
	2018	2017	
KYM Industries (M) Sdn. Bhd.	100%	100%	Manufacturing and sale of corrugated fibre boards and boxes.
Anabatic Sdn. Bhd. <sup>(1)</sup>	100%	100%	Property investment.
KYM Industries (Penang) Sdn. Bhd. <sup>(1)</sup>	100%	100%	Dormant.
Teguh Amalgamated Sdn. Bhd. <sup>(1)</sup>	100%	100%	Property investment.
KCP Carton Sdn. Bhd. <sup>(1)</sup>	100%	100%	Dormant.
KYM Industries (Johor) Sdn. Bhd.	100%	100%	Dormant.
Panorama Industries Sdn. Bhd. <sup>(2)</sup>	100%	100%	Dormant.
KYM Industries (BP) Sdn. Bhd.	95%	95%	Dormant.
KYM Maju Sdn. Bhd. <sup>#</sup>	100%	100%	Dormant.
KYM Industries (Melaka) Sdn. Bhd.	100%	100%	Dormant.
Polypulp Enterprises Sdn. Bhd.	100%	100%	Investment holding.
Tegas Consolidated Sdn. Bhd. <sup>(3)</sup>	100%	100%	Investment holding.
Harta Makmur Sdn. Bhd. <sup>* (4)</sup>	100%	100%	Property investment and development.
Teluk Rubiah Resorts Sdn. Bhd. <sup>(5)</sup>	100%	100%	Dormant.
Teluk Rubiah Country Club Sdn. Bhd. <sup>(5)</sup>	100%	100%	Dormant.
Suria Makmur Development Sdn. Bhd. <sup>(5)</sup>	100%	100%	Dormant.
Hasrat Meranti Capital Sdn. Bhd. <sup>#</sup>	100%	100%	Dormant.
KYM Properties Sdn. Bhd.	100%	100%	Property management.
KYM Built Sdn. Bhd. <sup>(6)</sup>	100%	100%	Dormant.
KYM Development (Perak) Sdn. Bhd. <sup>(6)</sup>	100%	100%	Property investment.
KYM Leisure Sdn. Bhd. <sup>(6)</sup>	100%	100%	Dormant.
Austin Capital Sdn. Bhd. <sup># (6)</sup>	100%	100%	Dormant.
KMG Assets Sdn. Bhd.	100%	100%	Providing management services.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018 (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
	2018	2017	
Hasrat Meranti Sdn. Bhd.	100%	100%	Investment holding and manufacturing and sale of multi-wall industrial paper bags.
Hasrat Meranti (Chemor) Sdn. Bhd. <sup>(7)</sup>	100%	100%	Manufacturing and sale of multi-wall industrial paper bags.
Hasrat Meranti (Tapah) Sdn. Bhd. <sup>(7)</sup>	100%	100%	Manufacturing and sale of multi-wall industrial paper bags.
KYM Mineral Sdn. Bhd. <sup>#</sup>	100%	100%	Dormant.

\* – The unquoted shares in this subsidiary were transferred to its own shareholders right after the security for banking facilities granted to the Company was discharged during the financial year.

# – The Board of Directors of its subsidiaries have passed a resolution during the financial year to strike off these companies. Consequently, the subsidiaries have submitted the strike off application documents to Suruhanjaya Syarikat Malaysia during the financial year.

- (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 2018

(CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

### 6. OTHER INVESTMENTS

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Quoted shares, at fair value	1	2	-	-
Unquoted shares, at cost	184	184	184	184
Allowance for impairment losses	(184)	(184)	(184)	(184)
	-	-	-	-
	1	2	-	-

- (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) Investment in unquoted shares of the Group and of the Company are 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018  
(CONT'D)

## 7. PROPERTY, PLANT AND EQUIPMENT

The Group	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
<i>Carrying Amount</i>									
At 1.2.2017	4,460	8,220	15,396	22,684	860	604	944	-	53,168
Additions	-	-	-	62	442	-	72	23,352	23,928
Disposals	-	-	-	(533)	(23)	-	(31)	-	(587)
Impairment	-	-	-	(2,489)	-	-	-	-	(2,489)
Return to supplier	-	-	-	-	(10)	-	-	-	(10)
Depreciation charge for the financial year	-	(117)	(341)	(3,287)	(358)	(139)	(214)	-	(4,456)
At 31.1.2018	4,460	8,103	15,055	16,437	911	465	771	23,352	69,554

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

(CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

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

The Group	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
<i>Carrying Amount</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 2018  
(CONT'D)

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

The Group		Forklifts, Tools And Equipment And						Motor Vehicles RM'000	Other Assets # RM'000	Capital Work-in-Progress RM'000	Total RM'000
		Freehold Land RM'000	Leasehold Land RM'000	Buildings RM'000	Plant And Machinery RM'000	Production Accessories RM'000					
<b>2018</b>											
Cost		4,460	9,087	17,518	33,275	3,651		1,165	5,711	23,352	98,219
Accumulated depreciation		-	(984)	(2,463)	(15,507)	(2,740)		(700)	(4,940)	-	(27,334)
Accumulated impairment		-	-	-	(1,331)	-		-	-	-	(1,331)
Net book value		4,460	8,103	15,055	16,437	911		465	771	23,352	69,554
<b>2017</b>											
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

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 2018

(CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

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

	Motor Vehicles RM'000	Other Assets* RM'000	Total RM'000
<b>The Company</b>			
<i>Carrying Amount</i>			
At 1.2.2017	^	76	76
Depreciation charge for the financial year	-	(22)	(22)
At 31.1.2018	^	54	54
<i>Carrying Amount</i>			
At 1.2.2016	^	107	107
Depreciation charge for the financial year	-	(31)	(31)
At 31.1.2017	^	76	76
<b>2018</b>			
Cost	274	1,039	1,313
Accumulated depreciation	(274)	(985)	(1,259)
Net book value	^	54	54
<b>2017</b>			
Cost	834	1,039	1,873
Accumulated depreciation	(834)	(963)	(1,797)
Net book value	^	76	76

Notes:

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

^ represents RM1.

- (a) The Group has assessed the recoverable amount of property, plant and equipment in the production line of corrugated fibre boards and boxes, and recognised an impairment loss in "Other Expenses" line item of statements of profit or loss and other comprehensive income as the recoverable amount is lower than the carrying amount.

During the financial year, the Group recognised impairment losses of:

- RM1,158,176 from the corrugating fibre boards division. The recoverable amount was determined based on fair values less costs to sell approach and is within level 2 of the fair value hierarchy; and
- RM1,330,734 from the printing corrugated boxes division. The recoverable amount was determined based on value-in-use method and is within level 3 of the fair value hierarchy.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018 (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 pledged to financial institutions as security for banking facilities granted to the Group:-

	The Group	
	2018 RM'000	2017 RM'000
Freehold land	4,460	4,460
Leasehold land	6,132	6,228
Buildings	10,721	10,980
Plant and machinery	10,937	12,036
Production accessories	4	4
Other assets	95	105
	32,349	33,813

- (c) 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	
	2018 RM'000	2017 RM'000
Plant and machinery	-	512
Motor vehicles	413	573
Capital work-in-progress	23,352	-
	23,765	1,085

#### 8. INVESTMENT PROPERTIES

	The Group	
	2018 RM'000	2017 RM'000
At fair value:-		
At 1 February 2017/2016	41,262	39,220
Addition	360	-
Transfer from property, plant and equipment (Note 7)	-	2,090
Revaluation (Note 37)	-	95
Fair value loss	-	(143)
At 31 January	41,622	41,262



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

(CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

### 8. INVESTMENT PROPERTIES (CONT'D)

- (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:-

	<b>The Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Investment properties	14,442	26,442

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

	<b>The Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Leasehold land	39,220	39,220
Building	2,402	2,042
	41,622	41,262

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

	<b>The Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Rental income	200	275
Direct operating expenses from the investment properties that did not generate income	324	286

- (d) Investment properties are stated at fair value which have been determined based on valuations performed by independent professional valuers at the end of the reporting date using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size, location, market trends and others. The most significant input into this valuation approach is price per square foot of comparable properties. There has been no change to the valuation technique during the financial year.

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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

### (CONT'D)

#### 9. INTANGIBLE ASSET

	The Group	
	2018 RM'000	2017 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.
- (b) The Group has assessed the recoverable amount of 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 five years. The key assumptions used in the determination of the recoverable amounts are as follows:-

Gross margin	Between 14.2% and 14.6%
Growth rate	Between 4.2% and 49.1%
Discount rate	10.4%

- (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. There is no growth rate in perpetuity to arrive at terminal value.
- (iii) Discount rate (pre-tax)      The discount rate used is the pre-tax weighted average cost of capital of the Company obtained from Bloomberg at the end of reporting period.

The values assigned to the key assumptions represent management's assessment of future trends in the cash-generating units and are based on both external sources and internal historical data.

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	
	2018 RM'000	2017 RM'000
Raw materials	18,124	14,893
Work-in-progress	180	245
Finished goods	4,053	3,716
Consumables	1,657	738
	24,014	19,592
<u>Recognised in profit or loss</u>		
Inventories recognised as cost of sales	67,634	69,358
Inventories written off	-	25

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

(CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

### 11. TRADE RECEIVABLES

	The Group	
	2018 RM'000	2017 RM'000
Trade receivables	16,872	19,368
Allowance for impairment losses	(836)	(836)
	16,036	18,532
Allowance for impairment losses:-		
At 1 February 2017/2016	(836)	(779)
Addition during the financial year	-	(57)
Write-back during the financial year	<sup>^</sup>	-
At 31 January	(836)	(836)

(a) The Group's normal trade credit terms range from 14 to 180 days (2017 - 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.

Note:

<sup>^</sup> represents RM105.

### 12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other receivables	809	593	133	127
Deposits	1,111	5,249	140	146
Prepayments	495	484	31	36
GST receivable	1,699	158	19	13
	4,114	6,484	323	322

Included in other receivables, deposits and prepayments of the Group at the end of the previous reporting period was 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 2018 (CONT'D)

#### 13. AMOUNTS OWING BY/(TO) SUBSIDIARIES

	The Company	
	2018	2017
	RM'000	RM'000
Amount owing by subsidiaries	57,206	57,507
Allowance for impairment losses	(19,671)	(20,135)
	37,535	37,372
Allowance for impairment losses:-		
At 1 February 2017/2016	(20,135)	(44,632)
Reversal during the financial year	25	3,377
Write-off during the financial year	439	21,120
At 31 January	(19,671)	(20,135)

	The Company	
	2018	2017
	RM'000	RM'000
Amount owing to subsidiaries	(29,497)	(29,829)

- (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	
	2018	2017
	RM'000	RM'000
Wholesale money market fund	11	1,161
Market value of short-term investment	11	1,161

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 at the end of the reporting period 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 2.77% (2017 - 3.11%) per annum. The fixed deposits have maturity periods ranging from 1 month to 3 years (2017 - 1 month to 3 years).

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

(CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

### 16. SHARE CAPITAL

	2018		2017	
	Number of Shares '000	Share Capital RM'000	Number of Shares '000	Share Capital RM'000
<b>Issued and Fully Paid-Up</b>				
Ordinary Shares with No Par Value				
At 1 February 2017/2016	149,890	110,381	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	110,381

- (i) The holders of ordinary shares are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company.
- (ii) 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 ESOS will be expiring on 15 May 2020.

The main features of the ESOS are as follows:-

- (i) 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.
- (ii) The maximum number of new ordinary 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.
- (iii) 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%.
- (iv) 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.
- (v) 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 2018 (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 31.1.2018
		At 1.2.2017	Granted	Exercised	
26 May 2010	RM0.90	2,843,000	-	-	2,843,000

The ESOS granted will be expiring 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 the surplus arising from a transfer of an owner-occupied building to an investment property and is not distributable by way of cash dividends.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

(CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

### 19. HIRE PURCHASE PAYABLES

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Minimum hire purchase payments:				
- not later than one year	4,856	263	-	7
- later than one year and not later than five years	16,391	350	-	-
	21,247	613	-	7
Less: Future finance charges	(2,306)	(59)	-	(1)
Present value of hire purchase payables	18,941	554	-	6
Analysed by:-				
Current liabilities	3,997	235	-	6
Non-current liabilities	14,944	319	-	-
	18,941	554	-	6

Included in the hire purchase payables of the Group is an amount of RM56,140 (2017 - RM80,200) which is secured by a guarantee of the directors of certain subsidiaries. Another amount of RM18,621,956 is at a floating interest rate which is secured by a pledge of the fixed deposits of a subsidiary and a corporate guarantee of the Company.

### 20. TERM LOANS

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current liabilities (Note 26)	487	3,659	-	1,000
Non-current liabilities	1,096	1,586	-	-
	1,583	5,245	-	1,000

(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 discharged during the financial year, which was 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 2018

### (CONT'D)

#### 21. DEFERRED TAX LIABILITIES

	The Group	
	2018 RM'000	2017 RM'000
At 1 February 2017/2016	9,765	9,725
Recognised in profit or loss (Note 36)	(67)	17
Recognised in other comprehensive income (Note 37)	-	23
At 31 January	9,698	9,765
The deferred tax consists of the tax effects of the following items:-		
Deferred tax liabilities:-		
Accelerated capital allowances	2,947	3,916
Revaluation arising from deemed cost property	1,065	1,083
Revaluation arising from deemed cost plant and machinery	609	812
Fair value changes of investment properties	5,824	5,796
Revaluation arising from a transfer of owner-occupied building to an investment property	23	23
	10,468	11,630
Deferred tax assets:-		
Allowance for impairment losses	(240)	(240)
Accrual for bonus	(84)	(72)
Unutilised tax losses	(391)	(945)
Unabsorbed capital allowances	(55)	(608)
	(770)	(1,865)
	9,698	9,765

#### 22. TRADE PAYABLES

The normal credit terms of trade payables range from 30 to 90 days (2017 - 30 to 90 days).

#### 23. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Accrued quit rent	166	4,261	-	-
Deposits received	19	19	-	-
Other payables and other accruals	4,771	4,795	442	423
GST payable	67	63	-	-
	5,023	9,138	442	423



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

(CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

### 24. AMOUNT OWING TO RELATED PARTIES

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Amount owing to related parties	755	570	472	472

- (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 A DIRECTOR

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Secured:-				
Revolving credit	1,250	2,330	-	-
Bankers' acceptances	3,560	574	-	-
Bills payable	10,781	13,709	-	-
Term loans (Note 20)	487	3,659	-	1,000
	16,078	20,272	-	1,000

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 RM430,496 (2017 - RM439,967) which is additionally secured by a pledge of the fixed deposits of a subsidiary.

### 28. REVENUE

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

### (CONT'D)

#### 29. COST OF SALES

	The Group	
	2018	2017
	RM'000	RM'000
Included in cost of sales are:-		
Staff costs:		
- salaries and other benefits	6,013	5,989
- defined contribution plan	339	330
Depreciation of property, plant and equipment	3,981	4,012
Gain on return of used equipment to supplier	(9)	-
Rental of factory	1,142	1,084
Rental of hostel	-	2

#### 30. OTHER INCOME

	The Group		The Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Included in other income are:-				
Dividend income	4	80	1,004	2,080
Interest income	19	13	13	12
Waiver of amount owing to a related party	-	1,168	-	1,168
Fair value gain on investment property	42	-	-	-
Gain on disposal of property, plant and equipment	35	255	35	104
Gain on disposal of other investments	*	^	-	-
Reversal of allowance for impairment loss on amounts owing by subsidiaries	-	-	25	3,377
Rental income	520	715	-	-
Realised gain on foreign exchange	-	162	-	-
Reversal of over-accrued quit rent	3,827	-	-	-

Notes:

\* represents RM46

^ represents RM70

#### 31. SELLING AND DISTRIBUTION EXPENSES

	The Group	
	2018	2017
	RM'000	RM'000
Included in selling and distribution expenses are:-		
Staff costs:		
- salaries and other benefits	790	944
- defined contribution plan	79	86

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

(CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

### 32. ADMINISTRATIVE EXPENSES

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Included in administrative expenses are:-				
Auditors' remuneration:				
- audit fees	173	170	53	45
- non-audit fees	6	5	6	5
Rental of:				
- premises	34	34	226	226
- equipment	21	22	20	18
- hostel	34	57	-	-
Staff costs:				
- salaries and other benefits	2,721	2,745	-	-
- defined contribution plan	276	328	-	-
- compensation expenses	2	886	-	-
- benefits-in-kind	29	29	-	-

### 33. OTHER EXPENSES

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Included in other expenses are:-				
Deposits forfeited	45	-	-	-
Depreciation of property, plant and equipment	475	472	22	31
Impairment losses on:				
- other investments	-	184	-	184
- property, plant and equipment	2,489	-	-	-
- trade receivables	-	57	-	-
Inventories written off	-	25	-	-
Fair value loss on investment properties	-	143	-	-
Loss on disposal of property, plant and equipment	57	50	-	-
Bad debts written off	-	10	14	29
Realised loss on foreign exchange	610	17	-	-

### 34. FINANCE COSTS

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest of:				
- hire purchase	65	66	1	21
- term loans	331	834	123	406
- overdrafts	209	192	-	-
- bankers' acceptances	49	22	-	-
- bills payable	572	539	-	-
- others	8	6	-	-
	1,234	1,659	124	427

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

### (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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<u>Directors of the Company</u>				
Non-Executive directors:				
- fee	104	104	104	104
Executive directors:				
- salaries and other benefits	391	132	-	-
- defined contribution plan	47	16	-	-
	438	148	-	-
	542	252	104	104
<u>Directors of the Subsidiaries</u>				
Executive directors:				
- salaries and other benefits	1,067	1,378	-	-
- defined contribution plan	136	195	-	-
	1,203	1,573	-	-
	1,745	1,825	104	104

#### 36. INCOME TAX EXPENSE

	The Group		The Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Current tax:				
- for the current financial year	147	-	-	-
- underprovision of current tax in the previous financial year	-	8	-	-
	147	8	-	-
Deferred tax (Note 21):				
- relating to origination and reversal of temporary differences	18	113	-	-
- overprovision in the previous financial year	(85)	(96)	-	-
	(67)	17	-	-
	80	25	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

### (CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

#### 36. INCOME TAX EXPENSE (CONT'D)

The reconciliation of income tax expense applicable to the (loss)/profit 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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before taxation	(800)	660	288	5,411
Tax at the statutory tax rate of 24%	(192)	158	69	1,299
Tax effects of:-				
Non-taxable income	(918)	(18)	(265)	(1,108)
Non-deductible expenses	882	1,404	190	211
Deferred tax assets not recognised during the financial year	763	21	6	-
Temporary differences relating to deferred tax liabilities arising from the fair value changes of investment property	22	-	-	-
Utilisation of deferred tax assets not recognised in the previous financial year	(392)	(1,452)	-	(402)
(Over)/Underprovision in the previous financial year:				
- current tax	-	8	-	-
- deferred tax	(85)	(96)	-	-
Income tax expense for the financial year	80	25	-	-

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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Accelerated capital allowances	(3,308)	-	-	-
Unabsorbed capital allowances	17,988	15,071	836	813
Unabsorbed reinvestment allowances	9,036	9,129	-	-
Unutilised tax losses	43,009	41,008	1,298	1,298
Accrual of bonus	74	46	-	-
	66,799	65,254	2,134	2,111

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

### (CONT'D)

#### 37. OTHER COMPREHENSIVE INCOME

	2018 RM'000	The Group 2017 RM'000
<b>Item that Will Not be Reclassified Subsequently to Profit or Loss</b>		
Revaluation of property, plant and equipment (Note 8)	-	95
Less: Deferred tax liabilities (Note 21)	-	(23)
	-	72

#### 38. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing (loss)/profit 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:

	2018	The Group 2017
(Loss)/Earnings attributable to shareholders (RM'000)	(880)	636
Weighted average number of ordinary shares ('000)	149,890	149,890
Basic (loss)/earnings per share (sen)	(0.59)	0.42
Diluted (loss)/earnings per share (sen)	(0.59)	0.42

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

#### 39. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	2018 RM'000	The Group 2017 RM'000
Cost of property, plant and equipment purchased	23,928	1,333
Amount financed through hire purchase (Note 40)	(18,586)	-
Cash disbursed for purchase of property, plant and equipment	5,342	1,333

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

(CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

### 40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The Group	Hire Purchase Payables RM'000	Term Loans RM'000	Revolving Credit RM'000	Bankers' Acceptances RM'000	Bills Payable RM'000	Amount Owing to Related Parties RM'000	Total RM'000
<b>2018</b>							
At beginning of the financial year	554	5,245	2,330	574	13,709	570	22,982
<u>Changes in Financing Cash Flows</u>							
Cash flows	-	-	-	-	-	185	185
Proceeds from drawdown	-	-	-	4,644	63,572	-	68,216
Repayment of borrowings principal	(234)	(3,662)	(1,080)	(1,658)	(66,500)	-	(73,134)
	(234)	(3,662)	(1,080)	2,986	(2,928)	185	(4,733)
<u>Non-cash Changes</u>							
Finance charges accrued and recognised in profit or loss	35	-	-	-	-	-	35
New hire purchase (Note 39)	18,586	-	-	-	-	-	18,586
	18,621	-	-	-	-	-	18,621
At end of the financial year	18,941	1,583	1,250	3,560	10,781	755	36,870

The Company	Hire Purchase Payable RM'000	Term Loan RM'000	Amount Owing to Subsidiaries RM'000	Total RM'000
<b>2018</b>				
At beginning of the financial year	6	1,000	29,829	30,835
<u>Changes in Financing Cash Flows</u>				
Cash flows	-	-	(332)	(332)
Repayment of borrowing principal	(6)	(1,000)	-	(1,006)
	(6)	(1,000)	(332)	(1,338)
At end of the financial year	-	-	29,497	29,497

Comparative information is not presented by virtue of the exemption give in MFRS 107.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018 (CONT'D)

#### 41. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with licensed banks	1,271	267	-	-
Short-term investment	11	1,161	11	1,161
Cash and bank balances	1,387	2,505	81	104
Bank overdrafts (Note 27)	(5,790)	(2,690)	-	-
	(3,121)	1,243	92	1,265
Less:-				
Deposits pledged to licensed banks	(1,271)	(267)	-	-
	(4,392)	976	92	1,265

#### 42. RELATED PARTY DISCLOSURES

##### 42.1 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.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

##### 42.2 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	
	2018	2017
	RM'000	RM'000
Dividend income received from a subsidiary - Hasrat Meranti Sdn. Bhd.	1,000	2,000
Interest expense charged by a subsidiary - KYM Industries (M) Sdn. Bhd.	110	144
Rental charged by a subsidiary - Teguh Amalgamated Sdn. Bhd.	192	192



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

### (CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

#### 42. RELATED PARTY DISCLOSURES (CONT'D)

##### 42.2 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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits	2,032	1,825	104	104

(c) Other related parties

	The Group		The Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Rental charged by:				
- Tzel Properties Sdn. Bhd. *@	34	34	34	34
- Tzel Assets Sdn. Bhd. **@	1,142	1,084	-	-
Rental deposit paid to:				
- Tzel Assets Sdn. Bhd. **@	350	-	-	-
Purchase property, plant and equipment from:				
- Tzel Developments Sdn. Bhd. *@	-	870	-	-
Support fee charge to:				
- Symphony Straits Sdn. Bhd. *@	265	-	-	-
Upkeep of property, plant and equipment from:				
- Tzel Developments Sdn. Bhd. *@	-	12	-	-

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

# - A company in which Dato' Lim Kheng Yew is a director.

@ - A company in which Lim Tze Thean has interests and/or is a director of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018 (CONT'D)

#### 43. SEGMENT INFORMATION – 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 (loss)/profit 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 2018

(CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)**43. SEGMENT INFORMATION - OPERATING SEGMENTS (CONT'D)**

	Manufacturing RM'000	Investment Holding RM'000	Property RM'000	Others RM'000	Group RM'000
<b>2018</b>					
<u>Revenue</u>					
External revenue	91,384	-	-	-	91,384
Inter-segment revenue	-	-	228	1,828	2,056
	91,384	-	228	1,828	93,440
Adjustments and eliminations					(2,056)
Consolidated revenue					91,384
<u>Results</u>					
Results before following adjustments	5,774	(227)	(834)	(1,180)	3,533
Interest income	5	14	-	-	19
Interest expense	(1,107)	(124)	(3)	-	(1,234)
Depreciation of property, plant and equipment	(4,268)	(23)	(163)	(2)	(4,456)
Impairment loss on property, plant and equipment	(2,489)	-	-	-	(2,489)
Other material non-cash income: - reversal of over-accrued quit rent	-	-	3,827	-	3,827
(Loss)/Profit before taxation	(2,085)	(360)	2,827	(1,182)	(800)
Income tax expense					(80)
Consolidated loss after taxation					(880)
<u>Assets</u>					
Segment assets	105,198	5,499	51,655	325	162,677
Unallocated asset:- Current tax assets					2,297
Consolidated total assets					164,974
<u>Liabilities</u>					
Segment liabilities	61,279	918	1,781	283	64,261
Unallocated liability:- Deferred tax liabilities					9,698
Consolidated total liabilities					73,959
<u>Other Segment Items</u>					
Non-current assets other than financial instruments:					
- addition on property, plant and equipment	23,915	-	5	8	23,928

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

### (CONT'D)

#### 43. SEGMENT INFORMATION - OPERATING SEGMENTS (CONT'D)

	Manufacturing RM'000	Investment Holding RM'000	Property RM'000	Others RM'000	Group RM'000
<b>2017</b>					
<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 2018

(CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

### 44. SEGMENT INFORMATION - 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysia	62,072	77,932	115,843	99,097
Singapore	20,536	13,290	-	-
Mauritius	29	39	-	-
Thailand	8,362	4,456	-	-
Philippines	95	7	-	-
Brunei	90	-	-	-
Hong Kong	200	279	-	-
	91,384	96,003	115,843	99,097

### Major Customers

Revenue from one major customer, with revenue equal to or more than 10% of Group's revenue, amounted to RM25,784,300 (2017 – RM18,399,738) arising from sales by the manufacturing segment.

### 45. CAPITAL COMMITMENT

	The Group	
	2018 RM'000	2017 RM'000
Purchase of property, plant and equipment	-	18,206

### 46. OPERATING LEASE COMMITMENT

The Group leases a building and a factory under operating lease. The lease period for the factory 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 lease period for the building commenced from 1 January 2018 to 31 December 2020 with an option to extend up to a cumulative maximum period of 15 years.

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

	The Group	
	2018 RM'000	2017 RM'000
Not more than one year	1,784	1,084
Later than one year and not later than five years	1,432	1,174
	3,216	2,258

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

### (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, Singapore Dollar and Thai Baht. 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	Thai Baht RM'000	Ringgit Malaysia RM'000	Total RM'000
<b>2018</b>						
<b>Financial Assets</b>						
Other investments	-	-	-	-	1	1
Trade receivables	1,373	1,309	-	106	13,248	16,036
Other receivables and deposits	-	-	-	-	1,920	1,920
Short-term investment	-	-	-	-	11	11
Fixed deposits with licensed banks	-	-	-	-	1,271	1,271
Cash and bank balances	6	-	-	-	1,381	1,387
	1,379	1,309	-	106	17,832	20,626
<b>Financial Liabilities</b>						
Hire purchase payables	-	-	-	-	18,941	18,941
Term loans	-	-	-	-	1,583	1,583
Trade payables	1,678	-	10,954	-	3,869	16,501
Other payables and accruals	-	-	288	-	4,668	4,956
Amount owing to related parties	-	-	-	-	755	755
Amount owing to a director	-	-	-	-	77	77
Revolving credit	-	-	-	-	1,250	1,250
Bills payable	753	-	852	-	9,176	10,781
Bankers' acceptances	-	-	-	-	3,560	3,560
Bank overdrafts	-	-	-	-	5,790	5,790
	2,431	-	12,094	-	49,669	64,194

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

### (CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

#### 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	Thai Baht RM'000	Ringgit Malaysia RM'000	Total RM'000
<b>2018</b>						
Net financial (liabilities)/assets	(1,052)	1,309	(12,094)	106	(31,837)	(43,568)
Less:						
Net financial liabilities denominated in the respective entities' functional currencies	-	-	-	-	31,837	31,837
<b>Net Currency Exposure</b>	<b>(1,052)</b>	<b>1,309</b>	<b>(12,094)</b>	<b>106</b>	<b>-</b>	<b>(11,731)</b>

The Group	United States Dollar RM'000	Singapore Dollar RM'000	Euro RM'000	Ringgit Malaysia RM'000	Total RM'000
<b>2017</b>					
<b>Financial Assets</b>					
Other investments	-	-	-	2	2
Trade receivables	3,781	1,398	7	13,346	18,532
Other receivables and deposits	-	-	-	5,842	5,842
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	22,324	28,309
<b>Financial Liabilities</b>					
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	9,002	9,075
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	31,684	47,714

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018 (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
<b>2017</b>					
Net financial (liabilities)/assets	1,798	1,398	(13,241)	(9,360)	(19,405)
Less:					
Net financial liabilities denominated in the respective entities' functional currencies	-	-	-	9,360	9,360
<b>Net Currency Exposure</b>	<b>1,798</b>	<b>1,398</b>	<b>(13,241)</b>	<b>-</b>	<b>(10,045)</b>

###### 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	
	2018 RM'000	2017 RM'000
<b>Effects on (Loss)/Profit After Taxation</b>		
<i>United States Dollar:-</i>		
- strengthened by 10%	(105)	180
- weakened by 10%	105	(180)
<i>Singapore Dollar:-</i>		
- strengthened by 10%	131	140
- weakened by 10%	(131)	(140)
<i>Euro:-</i>		
- strengthened by 10%	(1,209)	(1,324)
- weakened by 10%	1,209	1,324
<i>Thai Baht:-</i>		
- strengthened by 10%	11	-
- weakened by 10%	(11)	-

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 2018

(CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

### 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 long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

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.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period 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	
	2018	2017
	RM'000	RM'000
<b><i>Effects on (Loss)/Profit After Taxation</i></b>		
<i>Increase in 100 basis points ("bp")</i>	(416)	(245)
<i>Decrease in 100 bp</i>	416	245

The Company does not have any borrowings and hence, no sensitivity analysis is presented.

##### (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 (loss)/profit after taxation. As such, sensitivity analysis is not disclosed.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

### (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. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

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 corporate 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 amount owing by a customer (2017 - two customers) which constituted approximately 18% (2017 - 36%) 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	
	2018 RM'000	2017 RM'000
Malaysia	13,248	13,346
Singapore	2,042	5,087
Thailand	648	92
Brunei	90	-
Mauritius	8	-
Philippines	-	7
	16,036	18,532

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

### (CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

#### 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:-

The Group	Gross Amount RM'000	Individual Impairment RM'000	Carrying Value RM'000
<b>2018</b>			
Not past due	11,163	-	11,163
Past due:-			
- less than 3 months	4,805	-	4,805
- 3 to 6 months	125	(57)	68
- more than 6 months	779	(779)	-
	16,872	(836)	16,036
<b>2017</b>			
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

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 2018

### (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	Weighted Average Effective 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
<b>2018</b>						
Hire purchase payables	5.10	18,941	21,248	4,857	16,391	-
Term loans	6.19	1,583	1,822	562	1,097	163
Bills payable	4.81	10,781	10,781	10,781	-	-
Trade payables	-	16,501	16,501	16,501	-	-
Other payables and accruals	-	4,956	4,956	4,956	-	-
Amount owing to related parties	-	755	755	755	-	-
Amount owing to a director	-	77	77	77	-	-
Revolving credit	6.03	1,250	1,250	1,250	-	-
Bankers' acceptances	4.75	3,560	3,560	3,560	-	-
Bank overdrafts	7.13	5,790	5,790	5,790	-	-
		64,194	66,740	49,089	17,488	163
<b>2017</b>						
Hire purchase payables	5.17	554	613	263	350	-
Term loans	7.25	5,245	5,719	3,883	1,451	385
Bills payable	3.02	13,709	13,709	13,709	-	-
Trade payables	-	12,890	12,890	12,890	-	-
Other payables and accruals	-	9,075	9,075	9,075	-	-
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	6.96	2,690	2,690	2,690	-	-
		47,714	48,247	46,061	1,801	385

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

### (CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

#### 47. FINANCIAL INSTRUMENTS (CONT'D)

##### 47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (c) Liquidity Risk (Cont'd)

##### Maturity Analysis (Cont'd)

The Company	Weighted Average Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000
<b>2018</b>				
Other payables and accruals	-	442	442	442
Amount owing to subsidiaries	-	29,497	29,497	29,497
Amount owing to related parties	-	472	472	472
Finance guarantee contracts in relation to corporate guarantees extended to supplier for purchase made by subsidiaries*	-	-	37,107	37,107
		30,411	67,518	67,518
<b>2017</b>				
Hire purchase payables	5.22	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
Finance guarantee contracts in relation to corporate guarantees extended to suppliers for purchase made by subsidiaries*	-	-	18,773	18,773
		31,730	50,525	50,525

Note:-

\* The contractual undiscounted cash flows represent the amounts owing to suppliers by subsidiaries at the end of the reporting period. The financial guarantees have not been recognised since their fair values on initial recognition were not material.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

### (CONT'D)

#### 47. FINANCIAL INSTRUMENTS (CONT'D)

##### 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.

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

	<b>The Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Hire purchase payables	18,941	554
Term loans	1,583	5,245
Bankers' acceptances	3,560	574
Revolving credit	1,250	2,330
Bills payable	10,781	13,709
Bank overdrafts	5,790	2,690
	<b>41,905</b>	<b>25,102</b>
Less: Cash and cash equivalents		
- cash and bank balances	(1,387)	(2,505)
- short-term investment	(11)	(1,161)
	<b>40,507</b>	<b>21,436</b>
<b>Total equity (excluding non-controlling interests)</b>	<b>91,016</b>	<b>91,896</b>
<b>Debt-to-equity ratio</b>	<b>0.45</b>	<b>0.23</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

(CONT'D)

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

### 47. FINANCIAL INSTRUMENTS (CONT'D)

#### 47.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Financial Asset</b>				
<u>Loans and Receivables Financial Assets</u>				
Trade receivables	16,036	18,532	-	-
Other receivables and deposits	1,920	5,842	273	273
Amount owing by subsidiaries	-	-	37,535	37,372
Fixed deposits with licensed banks	1,271	267	-	-
Cash and bank balances	1,387	2,505	81	104
	20,614	27,146	37,889	37,749
<u>Fair Value through Profit or Loss</u>				
Short-term investment	11	1,161	11	1,161
Other investment - quoted shares	1	2	-	-
	12	1,163	11	1,161
<b>Financial Liability</b>				
<u>Other Financial Liabilities</u>				
Hire purchase payables	18,941	554	-	6
Term loans	1,583	5,245	-	1,000
Bankers' acceptances	3,560	574	-	-
Bills payable	10,781	13,709	-	-
Trade payables	16,501	12,890	-	-
Other payables and accruals	4,956	9,075	442	423
Amount owing to subsidiaries	-	-	29,497	29,829
Amount owing to related parties	755	570	472	472
Amount owing to a director	77	77	-	-
Revolving credit	1,250	2,330	-	-
Bank overdrafts	5,790	2,690	-	-
	64,194	47,714	30,411	31,730

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018 (CONT'D)

#### 47. FINANCIAL INSTRUMENTS (CONT'D)

##### 47.4 FAIR VALUE INFORMATION

At the end of the reporting period, there were no financial instruments carried at fair values in the statements of financial position except for the quoted investments, where the fair value of quoted investments is determined at their quoted closing bid prices at the end of the reporting period and they included in level 1 of the fair value hierarchy.

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The fair value of term loans and certain hire purchase payable that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.

The fair value of hire purchase payables that carry fixed interest rates approximated their carrying amounts as the impact of discounting is not material. The fair value is determined by discounting the relevant cash flows using current market interest rates for similar instruments ranging from 4.46% to 6.23% (2017 - 4.84% to 6.71%) and the fair value is within level 2 of the fair value hierarchy.



# ANALYSIS OF SHAREHOLDINGS

as at 30 April 2018

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

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	368	0.00
100 – 1,000	407	370,800	0.24
1,001 – 10,000	826	4,240,176	2.83
10,001 – 100,000	402	13,787,686	9.20
100,001 – 7,494,486	90	66,240,723	44.20
7,494,487 and above	3	65,250,000	43.53
<b>Total</b>	<b>1,750</b>	<b>149,889,753</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS

As registered in the Register of Substantial Shareholders as at 30 April 2018

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	<sup>(1)</sup> 50,750,000	33.86
Idaman Bina Makmur Sdn Bhd	7,750,000	5.17	-	-
Datin Millie Lee Siew Kim	-	-	<sup>(2)</sup> 14,750,000	9.84
Lim Tze Thean	3,300,000	2.20	<sup>(3)</sup> 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	27,500,000	18.35
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	7,300,000	4.87
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. Mark Lim Tze Seang	3,000,000	2.00
10. Melissa Lim Su Lin	3,000,000	2.00

**ANALYSIS OF SHAREHOLDINGS****as at 30 April 2018**  
**(CONT'D)****THIRTY LARGEST SHAREHOLDERS**

<b>Name of Shareholders</b>	<b>No. of Ordinary Shares</b>	<b>% of Issued Capital</b>
11. Yap Chee Lit	2,617,000	1.75
12. Sai Yee @ Sia Say Yee	2,580,200	1.72
13. Renfield Investment Limited	2,450,000	1.63
14. Lim Kheng Yew	2,000,000	1.33
15. Tan Suan Huat	1,770,000	1.18
16. Kenanga Nominees (Asing) Sdn Bhd Resonate Capital Limited	1,300,000	0.87
17. M&A Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Soh Choh Piau	1,218,000	0.81
18. Loh Toh Heoh	1,082,300	0.72
19. Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mohamad Razman Bin Rahim	1,000,000	0.67
20. TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Liew Ah Onn	917,500	0.61
21. Wong Hon Tatt	905,400	0.60
22. Olive Lim Swee Lian	840,000	0.56
23. Magnitude Network Sdn Bhd	775,273	0.52
24. Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ng Wymin	751,800	0.50
25. Zamri Bin Mohamad	630,000	0.42
26. Tham Kin Foong	624,700	0.42
27. Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Teoh Boon Hock	620,200	0.41
28. Naqwa Roweena Binti Abdul Rahaman	523,700	0.35
29. Yap Ching Chwan	520,000	0.35
30. Lau Tiam Aik	514,300	0.34
	<b>119,290,373</b>	<b>79.59</b>

**DIRECTORS' INTEREST IN SHARES**

<b>Name</b>	<b>Direct</b>	<b>%</b>	<b>Ordinary Shares Indirect</b>	<b>%</b>
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 <sup>(1)</sup>	33.86
Datuk Seri 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	3,300,000	2.20	7,000,000 <sup>(2)</sup>	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 2018

ANNUAL REPORT 2018

KYM HOLDINGS BHD.  
(84303-A)

Location/Address	Land Area (m <sup>2</sup> )	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 No. 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 No. 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 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	26 years	9,000,000
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	25 years	6,921,250
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	33 years	6,400,000
Lot No. PT2 (Lot 5) Jalan Perusahaan 1 Kawasan Perusahaan Beranang 43700 Beranang Selangor Darul Ehsan	11,461	99 years leasehold expiring on 9.10.2099	(02.06.2011)	Industrial land with factory buildings, offices and warehouse erected thereon	26 years	5,760,317
Lot 16 Persiaran Perindustrian Kanthan 3 Kanthan Industrial Estate 31200 Chemor Perak Darul Ridzuan	7,532	60 years leasehold expiring on 10.2.2055	(27.05.2011)	Industrial land with single storey factory building erected thereon	7 years	1,806,977

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# PROXY FORM



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

<b>CDS Account No.</b>	
<b>Number of Shares Held</b>	

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 36<sup>th</sup> 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 Tuesday, 3<sup>rd</sup> July 2018 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 Ir. Mohamad Othman Bin Zainal Azim		
3.	Re-election of Lee Ji Jin Darren		
4.	Re-appointment of Messrs Crowe Horwath as Auditors		
5.	Authority To Allot And Issue Shares Pursuant To Sections 75 and 76 of the Companies Act, 2016		
6.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions and a New Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature		
7.	Retention of Datuk Seri Rahadian Mahmud Bin Mohammad Khalil as Independent Non-Executive Director		
8.	Retention of Dato' Seri Ir Mohamad Othman Bin Zainal Azim as Independent Non-Executive Director		
9.	Retention of Dato' Mohd Azmi Bin Othman as Independent Non-Executive Director		
10.	Proposed Amendment of the Constitution of the Company		

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 ..... , 2018.

\_\_\_\_\_  
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 27 June 2018 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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KYM Holdings Bhd.

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50300 Kuala Lumpur  
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Fax: 03-2692 8382

[www.kym.com.my](http://www.kym.com.my)