

## **1. INTRODUCTION**

The Board of Directors of KYM wishes to announce that Hasrat Meranti Sdn Bhd (“Hasrat Meranti”), a wholly owned subsidiary of KYM has on 12 December 2018 entered into a supply agreement (“Agreement”) with BillerudKornas AB (“BK”) whereby BK undertakes to supply to Hasrat Meranti, and Hasrat Meranti undertakes to purchase from BK, brown and white sack paper produced by BK (“BK Paper”) per calendar year for 5 years from 1 January 2019.

Simultaneously, Hasrat Meranti and BK have mutually agreed to terminate and exit the co-operation for the contract manufacture, sale and distribution of industrial sacks in Southeast Asia on a “no-fault” basis (“Termination”). Pursuant to the Termination, BK has paid Hasrat Meranti a sum of USD1,760,958.91 (equivalent to approximately RM7.348 million) as an exit fee (“Exit Fee”).

## **2. INFORMATION ON BK**

BK, a company incorporated under the laws of Sweden and listed on the NASDAQ OMX Stockholm specialised in packaging material and packaging solution within three divisions, *Paper*, *Board* and *Solutions*. BK, is a major kraft paper supplier to Hasrat Meranti for the manufacturing of multi-wall industrial paper sacks.

## **3. SALIENT TERMS OF THE AGREEMENT**

- (a) BK undertakes to supply to Hasrat Meranti, and Hasrat Meranti undertakes to purchase from BK, twelve thousand (12,000) tonnes of brown and white sack paper produced by BK (“BK Paper”) per calendar year for 5 years (“Term”) from 1 January 2019;
- (b) BK grants to HM a license, valid during the first three (3) years of the Term of the Agreement, to the BK sack solution technologies and knowhow exclusively related to the Top Deaeration system, the RainSafe Sack and the D-Sack, for the sole purpose of HM’s manufacturing and selling of such sacks; and
- (c) BK shall provide training for the personnel of Hasrat Meranti during the Term.

## **4. LIABILITIES TO BE ASSUMED**

There are no liabilities to be assumed by KYM Group pursuant to the Agreement and the Termination.

## **5. RATIONALE**

The Agreement is in line with the Group’s strategy for sourcing sustainable raw materials from certified suppliers and green procurement practices. Considering the increasing demand of eco-friendly packaging material, the Agreement enables Hasrat Meranti to have a committed and consistent supply of major raw material ie. high quality sack kraft paper for its industrial sacks manufacturing in the next five (5) years to meet the increasing customers’ demand.

The Agreement will also provide an opportunity for Hasrat Meranti to strengthen its technical capabilities with new and innovative products for Hasrat Meranti’s customers and to upskill its people.

Pursuant to the earlier cooperation agreement with BK, Hasrat Meranti will contract manufacture up to 80 million industrial paper sacks per annum for BK for supply throughout the Asian region. With the termination, Hasrat Meranti shall supply directly to any export countries in the Asian region.

## 6. FINANCIAL EFFECTS OF THE SUPPLY AGREEMENT AND TERMINATION

### 6.1 Substantial Shareholders and Substantial Shareholders' Shareholding

The Agreement and the Termination do not have any effect on the issued and paid-up share capital of KYM.

### 6.2 Earnings, Earning Per Share (EPS)

The Agreement is not expected to have any material effect on the earnings and EPS of KYM Group for the financial year ending 31 January 2019 and 31 January 2020.

The receipt of the Exit Fee pursuant to the Termination is expected to give rise to an estimated gain before tax of approximately RM7.148 million for financial year ending 31 January 2019.

### 6.3 Net Assets (NA), NA per share and Gearing

The Agreement is not expected to have any material effect on the NA, NA per share and Gearing of KYM Group for the financial year ending 31 January 2019 and 31 January 2020.

Based on the latest audited financial statements of KYM Group as at 31 January 2018, the pro-forma effects of the Termination on the NA, NA per share, gearing are as follows:

	<b>Audited as at 31 January 2018</b>	<b>After the Termination</b>
	RM'000	RM'000
Share capital	110,381	110,381
Employees' share option reserve	853	853
Revaluation reserve	72	72
Accumulated losses	(20,290)	(13,142) <sup>(1)</sup>
<b>Shareholders' fund /NA</b>	<b>91,016</b>	<b>98,164</b>
Non-controlling interests	(1)	(1)
<b>Total Equity</b>	<b>91,015</b>	<b>98,163</b>
Number of shares in issue ('000)	149,890	149,890
<b>NA per share (RM)</b>	<b>0.61</b>	<b>0.65</b>
Total Borrowings	41,905	41,905
<b>Gearing (times)</b>	<b>0.46</b>	<b>0.43</b>

Notes:

(1) After taking into account the expected net pro-forma gain of RM7.148 million from the Termination (inclusive of the estimated incidental expenses of approximately RM200,000).

## 7. APPROVALS REQUIRED

The Agreement and Termination does not require approval from the shareholders of KYM or any other relevant authorities.

## 8. INTEREST OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND PERSONS CONNECTED

None of the Directors, major shareholders and/or persons connected with them have any interest, direct or indirect, in the Agreement and Termination.

This announcement is dated 13 December 2018.