

**KYM HOLDINGS BHD.**  
(Reg No.: 198201004556) (84303-A)  
(Incorporated in Malaysia)

**EXTRACT OF THE MINUTES OF THE THIRTY-EIGHT ANNUAL GENERAL MEETING OF THE COMPANY HELD AT SVOFO, B-01-11, SUNWAY NEXIS NO.1, JALAN PJU 5/1, KOTA DAMANSARA 47810 PETALING JAYA, SELANGOR ON THURSDAY, 23 JULY 2020 AT 11.00 A.M.**

Present: Directors  
Dato' Seri Dr. Isahak bin Yeop Mohamad Shar  
Dato' Seri Ir. Mohamad Othman bin Zainal  
Azim  
Datuk Seri Rahadian Mahmud bin Mohammad Khalil  
Dato' Lim Kheng Yew  
Dato' Mohd Azmi bin  
Othman Mr Lim Tze Thean  
Mr Lee Ji Jin Darren

Shareholders &  
Proxies As per  
Attendance List

In Attendance: Chee Min Er (Company Secretary)

Chairman: Dato' Seri Dr. Isahak bin Yeop Mohamad Shar

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**1. RECEIPT OF AUDITED FINANCIAL STATEMENTS FOR FINANCIAL YEAR ENDED 31 JANUARY 2020**

Before proceeding with the Q&A session, the Chairman informed that the Board had received a letter from Minority Shareholders Watch Group ("MSWG") dated 15 July 2020. The list of questions from MSWG and the Company's corresponding responses were presented on screen to the shareholders whilst the Chairman went through the questions and answers as set out in Appendix I.

Ms Lim Cian Yai, the representative from MSWG raised further questions on the capacity utilization rate of the Multiwall Industrial Paper Sacks division, performance of the Carton Box division, and what cost cutting measures taken by the Company including any staff retrenchment to minimize COVID-19 impact to the Group.

Mr Lim Tze Thean, the Chief Executive Officer of the Company answered the queries as follows.

- (a) Multiwall Industrial Paper Sacks division was running at zero capacity utilisation during the Movement Control Order (MCO) period in March and April. Production and sales for this division decreased substantially due to the temporary shutdown of factory. The Group has resumed operations in beginning of May and is now operating at one shift.
- (b) Carton Box division continued to perform well. It did have to shut down for two days during the MCO but was able to resume operations fairly quickly to supply to customers in the essential goods and service industry such as Food & Beverage and Pharmaceutical. There

has been added demand from the F&B and Pharmaceutical sectors. The division has also been exploring new product categories and as well as customers. Management believes that this marketing development activities will continue further for the Division.

- (c) The Group has not retrenched any of its employees to-date (from the operators level to the executive level). The Group believes long term employment of our employees as well as the responsibility it has in the economic activities in the community where the subsidiaries operate. Where possible, there is no salary reduction for the employees.

**2. RESOLUTION 1 - APPROVAL OF DIRECTORS' FEES AND THE PAYMENT OF DIRECTORS' BENEFITS (EXCLUDING DIRECTORS' FEE) TO NON-EXECUTIVE DIRECTORS FROM THE DATE OF AGM UNTIL THE NEXT AGM OF THE COMPANY**

The Chairman informed that the next item was to approve the proposed payment of Directors' Fees and the payment of Directors' Benefits (excluding directors' fee) to Non-Executive Directors with effect from the 38th AGM until the next AGM of the Company.

Resolution 1 was duly proposed by Ms Phan Mei Yee and seconded by Ms Yap Huey Teng. The Chairman proceeded to the next item on the agenda.

**3. RE-ELECTION OF THE FOLLOWING DIRECTORS**

- (I) **RESOLUTION 2 - DATO' SERI DR. ISAHAK BIN YEOP MOHAMAD SHAR**  
(II) **RESOLUTION 3 - DATUK SERI RAHADIAN MAHMUD BIN MOHAMMAD KHALIL**

Resolution 2 in respect of the re-election of Dato' Seri Dr. Isahak Bin Yeop Mohamad Shar was duly proposed by Ms Nur Shalsabila Tan and seconded by Ms Phan Mei Yee.

Resolution 3 in respect of the re-election of Datuk Seri Rahadian Mahmud Bin Mohammad Khalil was duly proposed by Ms Phan Mei Yee and seconded by Mr Tan Peng Aun.

**4. RESOLUTION 4 - RE-APPOINTMENT OF CROWE MALAYSIA PLT AS AUDITORS OF THE COMPANY AND TO AUTHORISE THE DIRECTORS TO FIX THEIR REMUNERATION**

The Chairman informed that Crowe Malaysia PLT had expressed their willingness to continue in office as Auditors of the Company for the ensuing year.

The Chairman apprised the presence of the audit engagement team represented by Mr Ngiam Mia Teck, Ms Rainie Tan Ching Nie and Mr Sean Lee Kim Seong

Resolution 4 was duly proposed by Ms Nur Shalsabila Tan and seconded by Mr Tan Peng Aun.

**SPECIAL BUSINESS**

**5. RESOLUTION 5 - AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016**

Resolution 5 was proposed by Ms Phan Mei Yee and seconded by Ms Yap Huey Teng.

**6. RESOLUTION 6 - 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**

The Chairman announced that Dato' Lim Kheng Yew and Mr Lim Tze Thean, being the interested Directors and interested Shareholders had abstained from voting on Resolution 6 in respect of their direct and/or indirect shareholding. The interested Directors and the interested Major Shareholders as stated in the Circular to Shareholder dated 24 June 2020 had undertaken that persons connected with them would also abstain from voting Resolution 6.

Resolution 6 was proposed by Mr Tan Peng Aun and seconded by Ms Nur Shalsabila Tan.

**7. RETENTION OF THE FOLLOWING DIRECTORS AS INDEPENDENT NON-EXECUTIVE DIRECTORS**

- (I) RESOLUTION 7 - DATO' SERI DR. ISAHAK BIN YEOP MOHAMAD SHAR
- (II) RESOLUTION 8 - DATUK SERI RAHADIAN MAHMUD BIN MOHAMMAD KHALIL
- (III) RESOLUTION 8 - DATO' SERI IR. MOHAMAD OTHMAN BIN ZAINAL AZIM
- (IV) RESOLUTION 9 - DATO' MOHD AZMI BIN OTHMAN

The Chairman informed that the Company applied Practice 4.2 of the Malaysian Code of Corporate Governance whereby the Company shall seek the shareholders' approval for the retention of independent non-executive directors who have served the Company for more than 12 years through a two-tier voting process.

Resolution 7 in respect of the retention of Dato' Seri Dr. Isahak Bin Yeop Mohamad Shar was proposed by Ms Phan Mei Yee and seconded by Ms Yap Huey Teng.

Resolution 8 in respect of the retention of Datuk Seri Rahadian Mahmud bin Mohammad Khalil was proposed by Mr Tan Peng Aun and seconded by Ms Phan Mei Yee.

Resolution 9 in respect of the retention of Dato' Seri Ir. Mohamad Othman bin Zainal Azim was proposed by Mr Tan Peng Aun and seconded by Ms Phan Mei Yee.

Resolution 10 in respect of the retention of Dato' Mohd Azmi bin Othman was proposed by Ms Nur Shalsabila Tan and seconded by Mr Tan Peng Aun

**8. OTHER BUSINESS**

The Company Secretary confirmed that the Company did not receive any notice to transact any other business.

**9. POLLING PROCESS**

The Company Secretary was invited to explain the procedure of the manual polling process. The shareholders and proxies proceeded to cast their votes.

The results of the polls were then verified by the independent scrutineer, Scrutineer Solutions Sdn Bhd.

**10. ANNOUNCEMENT OF POLL RESULTS**

The Chairman called the Meeting back to order for the announcement of results. The Chairman read out the poll results that he received from Ms Melissa Liew of Scrutineer Solutions Sdn Bhd

Resolution	Voted in FOR/ Favour		Voted Against		Results
	No. of Share(s)	%	No. of Share(s)	%	
RESOLUTION 1	51,502,300	100	-	-	Carried
RESOLUTION 2	51,502,300	100	-	-	Carried
RESOLUTION 3	51,502,300	100	-	-	Carried
RESOLUTION 4	51,502,300	100	-	-	Carried
RESOLUTION 5	51,502,300	100	-	-	Carried
RESOLUTION 6	3,187,300	100	-	-	Carried
RESOLUTION 7	TIER 1	30,000,000	100	-	Carried
	TIER 2	21,502,200	99.9995	100	
RESOLUTION 8	TIER 1	30,000,000	100	-	Carried
	TIER 2	21,502,200	99.9995	100	
RESOLUTION 9	TIER 1	30,000,000	100	-	Carried
	TIER 2	21,502,200	99.9995	100	
RESOLUTION 10	TIER 1	30,000,000	100	-	Carried
	TIER 2	21,502,200	99.9995	100	

Based on the poll results, the Chairman declared that all resolutions tabled at the Annual General Meeting be **CARRIED**.

#### **RESOLUTION 1**

It was RESOLVED:

"That the payment of Directors' Fees of RM104,000 for financial year ended 31 January 2020 and the payment of Directors' benefit (excluding Directors' Fee) to Non-Executive Directors of up to an amount of RM19,550 from the date of 38<sup>th</sup> Annual General Meeting until the next Annual General Meeting be and is hereby approved."

#### **RESOLUTION 2**

It was RESOLVED:

"That Dato' Seri Dr. Isahak Bin Yeop Mohamad Shar who retired in accordance with Article 81 of the Company's Constitution be and is hereby re-elected as a Director of the Company."

#### **RESOLUTION 3**

It was RESOLVED:

"That Datuk Seri Rahadian Mahmud bin Mohammad Khalil who retired in accordance with Article 81 of the Company's Constitution be and is hereby re-elected as a Director of the Company."

#### **RESOLUTION 4**

It was RESOLVED:

"That Messrs Crowe Malaysia PLT be and are hereby appointed as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Directors."

#### **RESOLUTION 5**

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

It was RESOLVED:

"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 6**

##### **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions**

It was RESOLVED:

"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 20 June 2019 authorizing 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 24 June 2020 with the related party mentioned therein which are necessary for the day-to-day operations of the KYM Group be and is hereby renewed provided that the transaction are in the ordinary course of business, at arms' length basis and are on normal commercial terms which are not more favorable to the Related Parties than those generally available to the public and are not detrimental to the minority shareholders of the Company and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year.

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

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

whichever is earlier,

And that the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary in the best interest of the

Company (including executing all such documents as may be required) to give effect to the Proposed Shareholders' Mandate."

**RESOLUTION 7**

**Retention of Dato' Seri Dr. Isahak Bin Yeop Mohamad Shar as Independent Non- Executive Director**

It was RESOLVED:

"That Dato' Seri Dr. Isahak Bin Yeop Mohamad Shar be and is hereby retained as Independent Non-Executive Director of the Company

**RESOLUTION 8**

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

It was RESOLVED:

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

**RESOLUTION 9**

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

It was RESOLVED:

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

**RESOLUTION 10**

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

It was RESOLVED:

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

**TERMINATION**

There being no further business, the meeting terminated at 12.10 p.m. with a vote of thanks to the Chair.



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CHAIRMAN

## REPLY TO QUESTIONS FROM THE MINORITY SHAREHOLDER WATCH GROUP

### Strategy & Financial Matters

- 1) Multiwall Industrial Paper Sacks division recorded a higher operational loss of RM4.87 million due to lower domestic sales, lower selling price and higher raw material cost (page 14 of AR2020)

- a) Does KYM expect the division to be profitable in FY21?

The Group's turnover for first quarter dropped to RM13.662 million, 35.08% lower than that of the corresponding quarter from the previous year which stood at RM21.043 million. The drop is primarily due to the COVID-19 pandemic and non-production during the MCO period from 18 March 2020 till 28 April 2020.

Sales for Multiwall Industrial Paper Sacks division decreased substantially due to the temporary shutdown of factory during the MCO period.

With the implementation of Recovery Movement Control Order (RMCO) effective from June and the easing of lockdown measures in other countries, we see signs of gradual recovery, albeit at a slower pace, in sales both for our domestic and export markets.

The disruption of the global supply chain and the regional economic condition caused by the Covid-19 pandemic is expected to negatively affect our paper bag sales for the remainder of the year. In the meantime, the Group has continued efforts to further strengthen operational efficiency and implement more stringent cost cutting measures to minimize the impact.

- b) To what extent will the demand for KYM's industrial paper sacks be affected, especially the sale to local cement industry, due to economic slowdown?

Our sales to local cement industry in FY20 declined by 50%, mainly due to the supply chain disruptions in the industry caused by the consolidation of the cement market following the acquisition of Lafarge Malaysia Berhad by YTL Cement Berhad. Consequently, the contribution the local cement industry in FY20 dropped to 16% from 31% in FY19.

Although our primary focus is the development of our export markets, the local cement market remains a key contributor. Reductions in the size of the domestic cement market will in turn reduce our total sales to that segment although we continually look to increase our domestic market share.

- c) Sales to Malaysia and Singapore market was down 26.6% and 53.5% to RM51.59 million (FY19: 70.15 million) and RM8.31 million (FY19: 17.87 million) respectively (page 98, Note 44 Segment Information - Geographical Segments, AR2020).

Does this signal a shift in customers' preference from KYM's products towards its competitors? Is the decline in sales of the two market an industry-wide issue or a temporary setback faced by the Company alone? How will the Company better improve sales performance in the two markets going forward?

The decline in sales to the Malaysian market was due both to the aforementioned supply chain disruptions which occurred due to the consolidation by YTL Cement of the local cement market as well a change in product preference in the domestic market.

To clarify, this shift was a change in market demand for products with a lower quality specification and in turn a lower price per unit. The total value would correspondingly have reduced.

The Group's policy has always been to make the best possible products for our customers using the best materials in the best manner using the best technology and equipment with best people.

Due to this change in direction for product quality, we have been working with our customers and paper suppliers to balance both our customer needs and Group's Quality Standards.

- 2) Based on a valuation carried out by Hatta & Associates, market value of the 41.36 acres Silibin Land was RM7.6 million, which is lower than the carrying amount. This has caused KYM to recognize a fair value loss on investment properties of RM4.4 million (page 14 of AR2020).

Given the market value, will the Company proceed to sell the piece of land as a measure to divest non-core asset?

The Company has always planned to sell the land at a fair value as a measure to divest non-core assets. However, the timing and market conditions must be taken into account.

- 3) KYM continues to focus on growth activities to increase its market share in both domestic and overseas market. This effort has gradually bore fruits with 13% year-on-year growth on export sales. Which countries contributed to the increase in sales? Given the current challenging environment, does KYM expect the same strong export sales in FY21?

Countries that contributed to the increase in sales were mainly Indonesia and India as those two countries were the primary focus of our international marketing activities. We are aware of the global markets and demand and continue to focus our efforts on increasing our export sales.

The COVID-19 pandemic is disrupting the operating environment and global supply chain. Export orders were postponed during the first quarter ended 30 April 2020 due to the COVID-19 in some foreign countries due to logistical issues. Due to the disruption and uncertainties caused by the COVID-19 pandemic, we expect the growth in export sales to slow down in FY21.

- 4) In the reply to MSWG's questions last year, KYM said it planned to close all the twelve dormant companies to reduce annual maintenance cost. However, we note that the number of dormant subsidiaries remain the same in FY20 (page 70 of AR2020).

How much is the annual maintenance cost for these twelve dormant companies?

During the FY20, we have closed one (1) dormant subsidiary. We are in the process of seeking tax clearance for the remaining eleven (11) dormant companies of which we target to close five (5) dormant companies in FY21.

Annual maintenance cost for the remaining eleven dormant companies is RM45,000.



- 5) KYM has written down inventories worth RM1.71 million (FY19: RM54,000) which was then recognized as cost of sales. To which segment of business do these inventories relate to? What was the reason for the inventory write-down?

We have written down the raw materials stocks of the Multiwall Industrial Paper Sacks division that have not been used for more than one year in accordance with the Company's policy. We do speak to the customers for whom these raw materials were intended for and where possible will use them. However, until they can be used, they have to be written off and possibly disposed of as well.

### **Corporate Governance Matters**

- 1) KYM has departed from applying Practice 4.5 of Malaysia Code on Corporate Governance that requires the Board to disclose its policies on gender diversity on annual report.

Nevertheless, as of December 2019, the Company has shortlisted two candidates one of whom is female, to be a director of the Company (page 20 of AR2020).

Has the female candidate been chosen to be a director? What is the progress of the new appointment?

The Company does not discriminate in terms of sex, race or religion nor does it practice positive discrimination to that end. Candidates are sought based on the needs of the board in terms of skill, knowledge and exposure.

However, of the two shortlisted one happened to be a female candidate but both are pending interviews by the Nomination & Remuneration Committee. Due to the implementation of the MCO, the appointment process has been delayed.