# KYM HOLDINGS BHD.

Reg No.: 198201004556 (84303-A)

annual report 2021

## OUR VISION

We aim to be a trusted global player in delivering industrial, property and construction solutions to an international and local clientele.

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.

# CONTENTS



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## BOARD OF DIRECTORS

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

**Dato' Lim Kheng Yew**
*Executive Director*

**Dato' Seri Ir. Mohamad Othman Bin Zainal Azim**
*Senior 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
SSM PC No.: 201908000760
(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

### REGISTERED OFFICE

Level 17, KYM Tower
No. 8, Jalan PJU 7/6
Mutiara Damansara
47800 Petaling Jaya, Selangor
Tel No. : 03-8703 3333
Fax No. : 03-8703 3300

### AUDITORS

Crowe Malaysia PLT
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
OCBC Bank (Malaysia) Berhad

### SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya, Selangor
Tel No. : 03-7890 4700
Fax No. : 03-7890 4670

### WEBSITE

www.kym.com.my

Independent Non-Executive Chairman

Malaysian, aged 72

# DATO' SERI DR. ISAHAK BIN YEOP MOHAMAD SHAR

**Dato' Seri Dr. Isahak Bin Yeop Mohamad Shar**, aged 72, 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. He stepped down as CEO and was re-designated to Non-Independent Non-Executive Chairman on 1 August 2014. On 20 June 2019, Dato' Seri Dr. Isahak was re-designated to Independent Non-Executive Chairman. 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.

Executive Director

Malaysian, aged 69

## DATO' LIM KHENG YEW

**Dato' Lim Kheng Yew**, age 69, 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 114 of this Annual Report. He is the father of Mr Lim Tze Thean, an Executive Director and Chief Executive Officer of the Company. His relationship with other substantial shareholders is set out in Page 113 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.

Senior Independent Non-Executive Director

Malaysian, aged 66

## DATO' SERI IR. MOHAMAD OTHMAN BIN ZAINAL AZIM

**Dato' Seri Ir. Mohamad Othman Bin Zainal Azim**, aged 66, 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. He was formerly 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.

Independent Non-Executive Director

Malaysian, aged 47

## DATUK SERI RAHADIAN MAHMUD BIN MOHAMMAD KHALIL

**Datuk Seri Rahadian Mahmud Bin Mohammad Khalil**, aged 47, 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.

Datuk Seri Rahadian Mahmud was involved in the business of reforestation as well as 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.

Independent Non-Executive Director

Malaysian, aged 53

## DATO' MOHD AZMI BIN OTHMAN

**Dato' Mohd Azmi Bin Othman**, aged 53, 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 Universiti Sultan Azlan Shah and Perbadanan Kemajuan Negeri Perak.

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.

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 114 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.

Non-Independent Non-Executive Director

Malaysian, aged 38

## LEE JI JIN DARREN

**Mr Lee Ji Jin Darren**, aged 38, 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 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 114 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.

Executive Director/Chief Executive Officer

Malaysian, aged 42

## LIM TZE THEAN

**Lim Tze Thean**, aged 42, is the Chief Executive Officer of KYM Group of Companies and has served in this role since 2013. He was appointed to the Board of KYM Holdings Bhd. on 30 March 2017.

He received a Bachelor of Science in Computer Science with Management from King's College, University of London. He also holds an Executive Masters in Business Administration from the Institut Européen d'Aministration des Affaires (INSEAD).

He has over 20 years of experience in operations and management in manufacturing and property development. He has served in all of the group's subsidiaries during his career including managing the KYM Properties Division and the KYM Manufacturing Division. He also holds a position as an Executive Director of TSM Global Berhad with a long history in the TSM Group's automotive and investment divisions.

He is the son of Dato' Lim Kheng Yew, the Executive Director and a substantial shareholder of KYM. Mr Lim Tze Thean is also a substantial shareholder of KYM. His interest in the securities of KYM is set out in page 114 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.

## DATO' LIM KHENG YEW

Executive Director

Malaysian, aged 69, Male

His profile is set out in Profile of Directors on page 4.

## LIM TZE THEAN

Executive Director /
Chief Executive Officer

Malaysian, aged 42, Male

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

## MOK TUCK MENG

Managing Director,
Multiwall Industrial Paper Sacks Division

Malaysian, aged 56, 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 Sacks Division in May 1999.

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

## TAN PENG AUN

Group Property Manager

Malaysian, aged 56, 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.

## LIM KHENG ENG

Managing Director,
Corrugated Carton Division

Malaysian, aged 63, 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.

## CHEE MIN ER

Head of Corporate Communications &
Administration
Company Secretary

Malaysian, aged 49, 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 Directors' Profile and Key Senior Management's Profile, none of the Key Senior Management Officers have: -

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

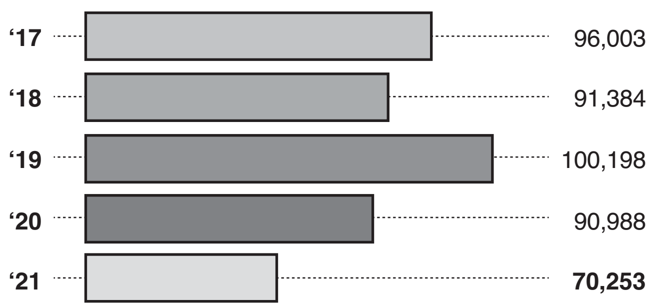
# 5 YEAR FINANCIAL HIGHLIGHTS

| | | 2021 RM'000 | 2020 RM'000 | 2019 RM'000 | 2018 RM'000 | 2017 RM'000 |
|---|---|---|---|---|---|---|
| Revenue | | 70,253 | 90,988 | 100,198 | 91,384 | 96,003 |
| (Loss)/Profit Before Tax | | (1,496) | (9,078) | 4,714 | (800) | 660 |
| (Loss)/Profit After Tax | | (1,062) | (8,798) | 3,552 | (880) | 635 |
| (Loss)/Profit After Taxation Attributable to Owners of the Company | | (1,062) | (8,802) | 3,552 | (880) | 636 |
| Issued share capital ('000) | | 149,890 | 149,890 | 149,890 | 149,890 | 149,890 |
| Paid up capital | | 110,381 | 110,381 | 110,381 | 110,381 | 110,381 |
| Shareholders' Fund | | 84,707 | 85,769 | 94,567 | 91,015 | 91,895 |
| Total Assets | | 162,043 | 165,422 | 173,137 | 164,974 | 149,437 |
| Total Borrowing | | 52,734 | 53,633 | 37,834 | 41,905 | 25,102 |
| Gearing ratio | Times | 0.62* | 0.63* | 0.40 | 0.46 | 0.27 |
| Basic (Loss)/Earnings Per Share Attributable to Shareholders | sen | (0.71) | (5.87) | 2.37 | (0.59) | 0.42 |
| Net Assets Per Share | RM | 0.57 | 0.57 | 0.63 | 0.61 | 0.61 |

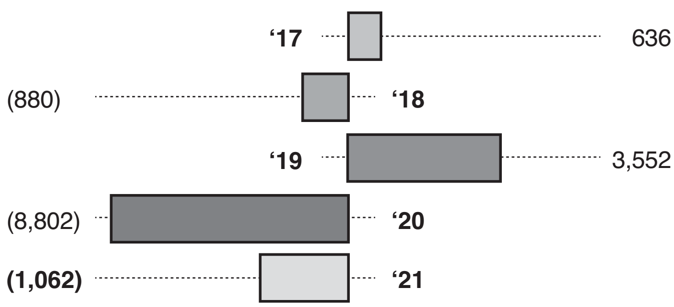
**Notes:**
Due to the implementation of the Companies Act 2016 effective from 31 January 2017, the credit of the Company's share premium account has become part of the share capital.

* Included lease liabilities following the implementation of MFRS 16

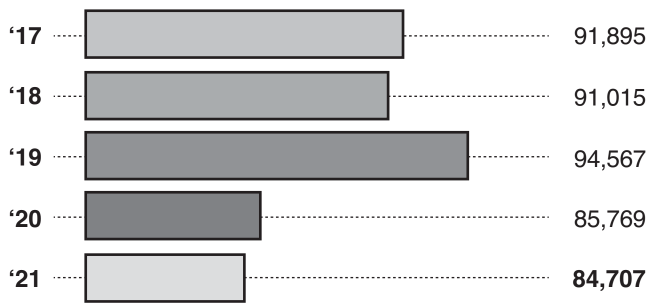
**REVENUE**
RM'000



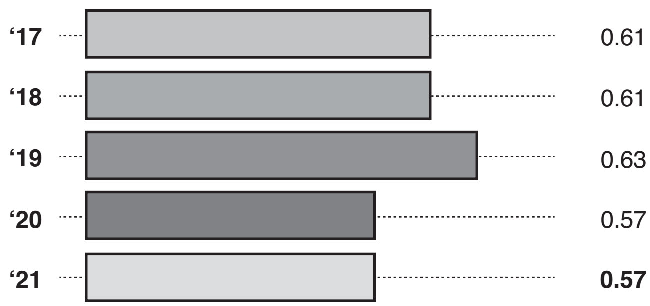

**(LOSS)/PROFIT AFTER TAXATION ATTRIBUTABLE TO OWNERS OF THE COMPANY**
RM'000




**SHAREHOLDERS' FUND**
RM'000




**NET ASSETS PER SHARE**
RM'000



## OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

The manufacture 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.

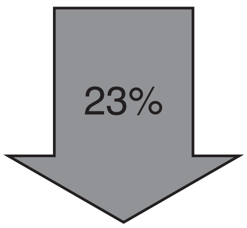
The Group's key focus includes:

- Continue focusing on growth activities to increase its market share domestically as well as open new markets regionally to further increase sales to existing and new markets;
- Introducing alternative packaging options using our production methods to ensure similar performance;
- Increasing operational efficiencies and to control cost;
- Divesting non-core businesses and assets of the Group.

## FINANCIAL RESULTS AND FINANCIAL CONDITION

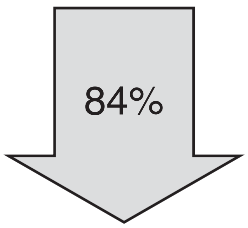
Our overall performance for the past financial year was lower than expected due to the unforeseen changes in business environment.

REVENUE




vs FY2020

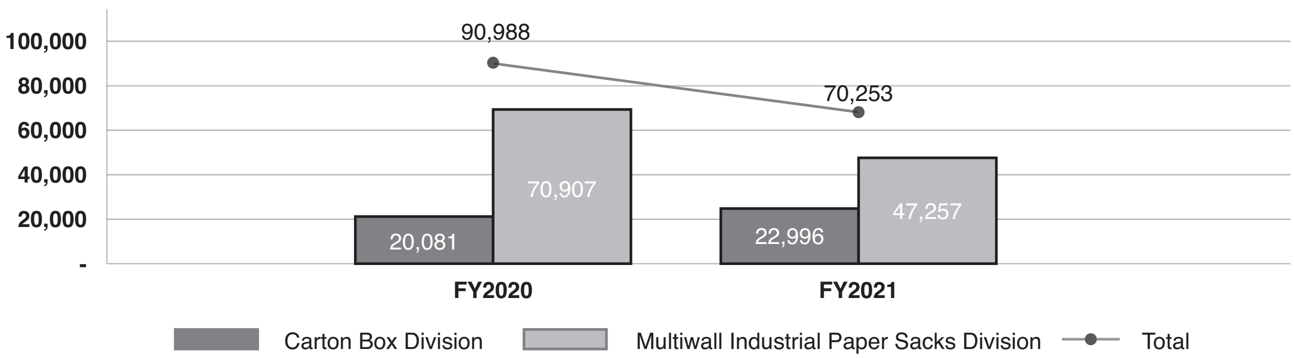
LOSS BEFORE TAX




vs FY2020

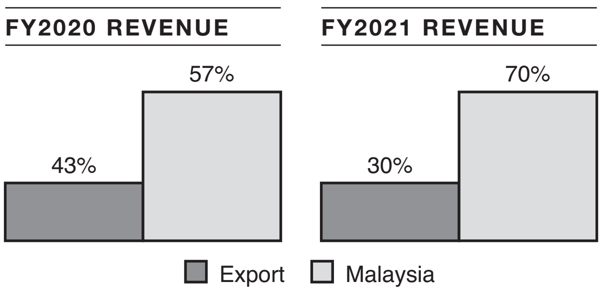
Group revenue for FY2021 declined by 23% to RM70.253 million from RM90.988 million for FY2020. The decrease was largely attributable to the reduced turnover from the Multiwall Industrial Paper Sacks division by RM23.643 million. The business of the Multiwall Industrial Paper Sacks division was adversely impacted by the COVID-19 in Malaysia and foreign countries. Export orders were postponed when the foreign countries imposed restrictions to curb the sudden spike in COVID-19 cases. The reduction in business has been mitigated by the higher sales volume from the Carton Box division.

### REVENUE BY PRODUCT




Total revenue from the Carton Box division increased by 15% and contributed 33% of the total revenue of the Group for the current financial year.

Domestic market made up 70% of the Group revenue as compared to 57% of last financial year. Export made up the balance of 30% of the Group revenue.




The key export countries and their respective contribution to revenue for financial year under review are Indonesia (10.9%), Singapore (8.2%) and Thailand (7.1%).

The finance costs reduced by 16% to RM2.431 million during the financial year, mainly due to the lower interest for trade facilities and lower lease liabilities.

Despite lower revenue, the Group reported a significant reduced Loss Before Tax of RM1.496 million as compared to Loss Before Tax of RM9.078 million in the previous financial year, mainly attributed to the following:

a. The Manufacturing segment reported a profit before taxation of RM1 million FY2021 as compared to the preceding financial period loss before taxation of RM1.954 million. This was mainly attributed to better performance of the Carton Box division and reduced losses from Multiwall Industrial Paper Sacks division. The Group also benefited from the economic stimulus package announced by the Government i.e. PRIHATIN wage subsidy program.

b. One-off fair value loss on investment properties of RM4.4 million in the previous financial year. The revaluation carried out on the 41.36 acres vacant land held in Mukim of Hulu Kinta, District of Kinta, Perak ("Silibin Land") in FY2020 was in line with the current focus of the Group and the current market condition.

**Cash Flow**

| | FY2021 RM'000 | FY2020 RM'000 | Change RM'000 | % |
|---|---|---|---|---|
| Net cash from operating activities | 6,377 | 5,914 | 463 | 7.8% |
| Net cash for investing activities | (849) | (883) | 34 | -3.9% |
| Net cash from/(for) financing activities | 2,114 | (7,031) | 9,145 | -130.1% |
| Net increase/(decrease) in cash and cash equivalents | 7,642 | (2,000) | 9,642 | -482.1% |

Cash flows generated from operating activities stood at RM6.377 million, improved slightly as compared to last year. The increase in cash was largely due to lower other receivables and higher in other payables.

Drawdown of trade facilities for working capital in the amount of RM5.970 million and lower repayment of banking facilities resulted in a reduction in net cash used for financing activities. The Group operates a prudent and disciplined financial management to ensure the Group's liquidity remains intact.

Total borrowings for the current financial year reduced by 2%. Consequently, gearing ratio improved slightly from 0.63 times to 0.62 times.

**OPERATIONAL REVIEW**

Total revenue of Multiwall Industrial Paper Sacks division reduced across all segments, leading by export order. Productions were severely disrupted during the Movement Control Order 1.0 in March and April 2020. Both the Chemor Plant and Tapah Plant were total shutdown from 18 to 31 March 2020 during the MCO 1.0. Chemor Plant commenced operations on 1 April 2020 with minimal supply to customers that are classified as essential sectors and resumed operations at full force on 29 April 2020. Tapah Plant resumed operations on 22 April 2020 after obtaining approval from the authority. During the conditional MCO period, the Multiwall Industrial Paper Sacks division saw a positive recovery in both the domestic and export markets in second quarter FY2021. However, the recovery of the domestic market has been slow due to poor sentiment of the cement industry. Export orders were postponed when the foreign countries imposed restrictions to curb the sudden spike in COVID-19 cases during the third quarter and final quarter FY2021. Contribution from export sales dropped to 30% in FY2021 from 43% in FY2020. Multiwall Industrial Paper Sacks division continued to register loss due to lower sales volume, depressed selling prices, increase in sack kraft paper prices and hike in foreign exchange rates between Ringgit Malaysia and US Dollar/EURO. Average profit margin narrowed due to the larger contribution of local cement segment.

Carton Box division is less impacted by COVID-19 and the various phases of MCO implemented in 2020 as it is a key supporting industries to the essential sectors including Food & Beverages (F&B) and healthcare supply sectors. Revenue contribution from other "non-essential sectors" declined as they were not allowed to operate during the MCO 1.0. Total revenue for FY2021 increased by 15% to RM22.996 million due to the increase in sales MT while profits before tax increased two-fold to RM2.843 million. The improved performance was primarily attributed to improved operations efficiency and better customer services.

## ANTICIPATED TREND OR RISKS

Raw Material Shortages and Rising Cost of Raw Materials

The paper packaging industry is highly reliant on the availability and pricing of papers, especially sack kraft papers which the Group sourced from European paper suppliers. Supply of sack kraft paper is expected to be tight in anticipation of the increasing demand in European market and limited supply to South East Asia region.

The paper supply challenges has further been exacerbated by the shortage of shipping containers, resultant extended lead times and delay in delivery. This will be an additional stumbling block for just-in-time delivery. The COVID-19 pandemic has disrupted the supply chain and international trade to an extraordinary degree and caused drastic spike in shipping and freight cost.

With an expected paper shortage in the foreseeable future, we shall continue to be vigilant in the procurement process to ensure we have sufficient material for our long term customers. We also procure paper from multiple sources to limit supply risk and overdependence on any single supplier.

Paper prices and cost of all raw materials are on the upward trends which will suppress the profit margin. We are adjusting our selling prices upwards in tandem with the increases in cost.

Manpower Supply and Workforce

Shortage of foreign workers is expected to continue to be a challenge in all sectors. Foreign workers who have completed their contract have returned to their home country were not replaced by new workers. The Government has not approved the intake of new/replacement foreign workers. Locals are not willing to work in a factory environment. Additional workers will be required for the additional production capacity. Based on the Group's new recruitment of local workers in first quarter of FY2022, the success rate and the retention rate has been low. The Group is investing in automation or technologies where possible for certain process to reduce dependence on labour.

Considering the recent spike in COVID-19 cases and the slow pace of the vaccination progress, we shall continue to adhere to the precautionary measures at work place and workers' hostel to prevent and manage COVID-19 infections at KYM and to ensure maximum protection of our employees.

Foreign Exchange Risk

The Group is exposed to foreign currency risk on sales and purchase transactions and trade balances that are denominated in foreign exchange. 90% of the raw materials for the manufacturing of multiwall industrial paper sacks are imported. As paper is transacted in US Dollar and Euro, the fluctuation of foreign currency and raw materials price continues to affect the cost of goods sold for each item. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

## THE OUTLOOK

The global economy is projected to recover with a growth of 5.2%. However, risks to the global economy persists. Growth may be hampered by the re-intensification of trade tensions between the US and China, uncertainties surrounding the Brexit outcomes and widespread geopolitical tensions. With the anticipated improvement in global growth and international trade, the Malaysia economy is projected to rebound between 6.5% and 7.5% in 2021. Growth will continue to be supported by strong economic fundamentals and a well-diversified economy. The continuous economic recovery path in 2021 shall be backed by various initiatives by the government to support the survival of business as well as the roll-out of the COVID-19 vaccination programme. However, the favourable outlook hinges on two major factors – the successful containment of the pandemic and sustained recovery in external demand. Until and unless the national COVID-19 immunisation program is fully implemented, the war against COVID-19 is not over, and efforts to curb the virus and its impact are still ongoing.

Requirements for sustainable packaging is expected to be on the upward trend, due to rapid growth of food delivery and e-commerce. The Carton Box division is expanding its capacity to cope with its increasing demand as well as for better quality standard. The Carton Box division will continue to embark on marketing effort and strategic business initiatives to boost its performance.

The Multiwall Industrial Paper Sacks division continues to face tough operating environment due to continuous hike in paper prices, shipping costs and intense price pressure in the domestic market. The Multiwall Industrial Paper Sacks division is envisaged to pass on these increases to its customers. Demand in some export destinations which are badly affected by COVID-19 such as India shall remain uncertain as the spike in COVID-19 may force lock-down and business closures.

Our priorities for the coming year are about increasing sales, pursuing continued cost and efficiency measures, and securing a competitive and reliable supply of raw materials.

The Group continues to explore new business roadmap for the Group including but not limited to new investments or business opportunities to increase revenue and earnings.

Efforts to divest non-core businesses and lands in Manjung and Silibin, Perak will also continue with an eye for the current market conditions for those assets to reduce the high holding cost of land of RM400,000 per annum.

## DIVIDEND POLICY

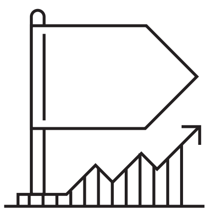
At present, the Group's focus is to create and enhance shareholders' value in the long run. We shall re-invest the earnings to grow our business organically or inorganically. As such, the Group does not currently plan to adopt any dividend policy in the short term but will consider to distribute excess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

# CORPORATE VISION

We aim to be a trusted global player in delivering industrial, property and construction solutions to an international and local clientele.

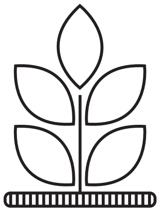
By being thoroughly committed to innovation, technology, human capital and sustainable development, we aim to be critical enablers to an environment in which businesses thrive and communities are enriched.

# SUSTAINABILITY STRATEGY



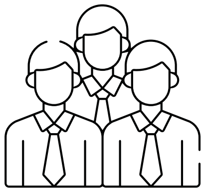
**ECONOMIC**

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.

## ABOUT THIS STATEMENT

We are pleased to present our Sustainability Statement for fourth (4th) consecutive years. It covers our diverse achievements in creating economic, environmental and social value for a wide array of stakeholders. This statement refers to the financial year from 1 February 2020 to 31 January 2021, unless indicated otherwise, it has been prepared in accordance to the Global Reporting Initiative ("GRI") G4 Guidelines.

## STATEMENT SCOPE AND BOUNDARY

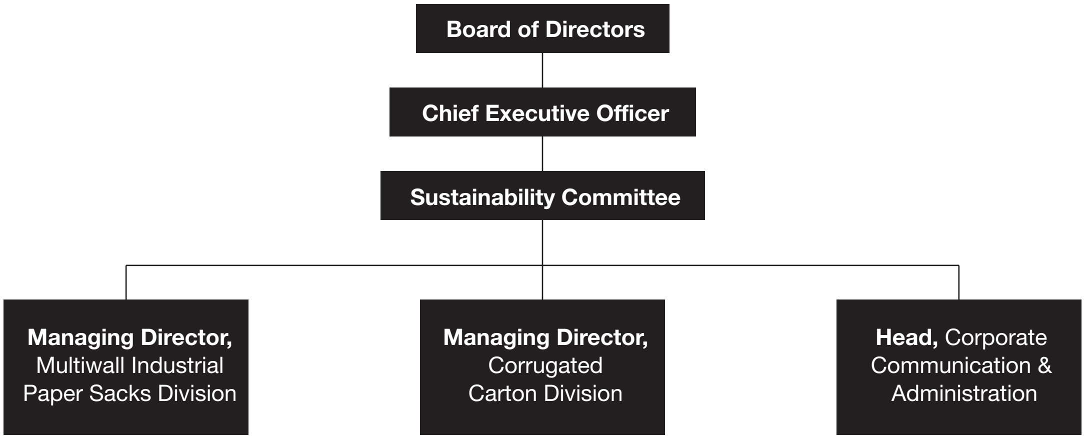
This statement focus on the Group's business operation of marketing and manufacturing of multiwall industrial paper sacks and corrugated carton boxes which includes its manufacturing factories in Selangor and Perak.

## 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.

## 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

Over the years, we have fostered our relationship with our stakeholders by concentrating on prioritizing our stakeholders, the quality of our goods, the social impact we have made, the economic success we have accomplished, and our consistency in compliance with applicable legislation and regulations. The following table covers a list of key stakeholder groups, various methods of engagement and key issues raised.

### Stakeholder Engagement

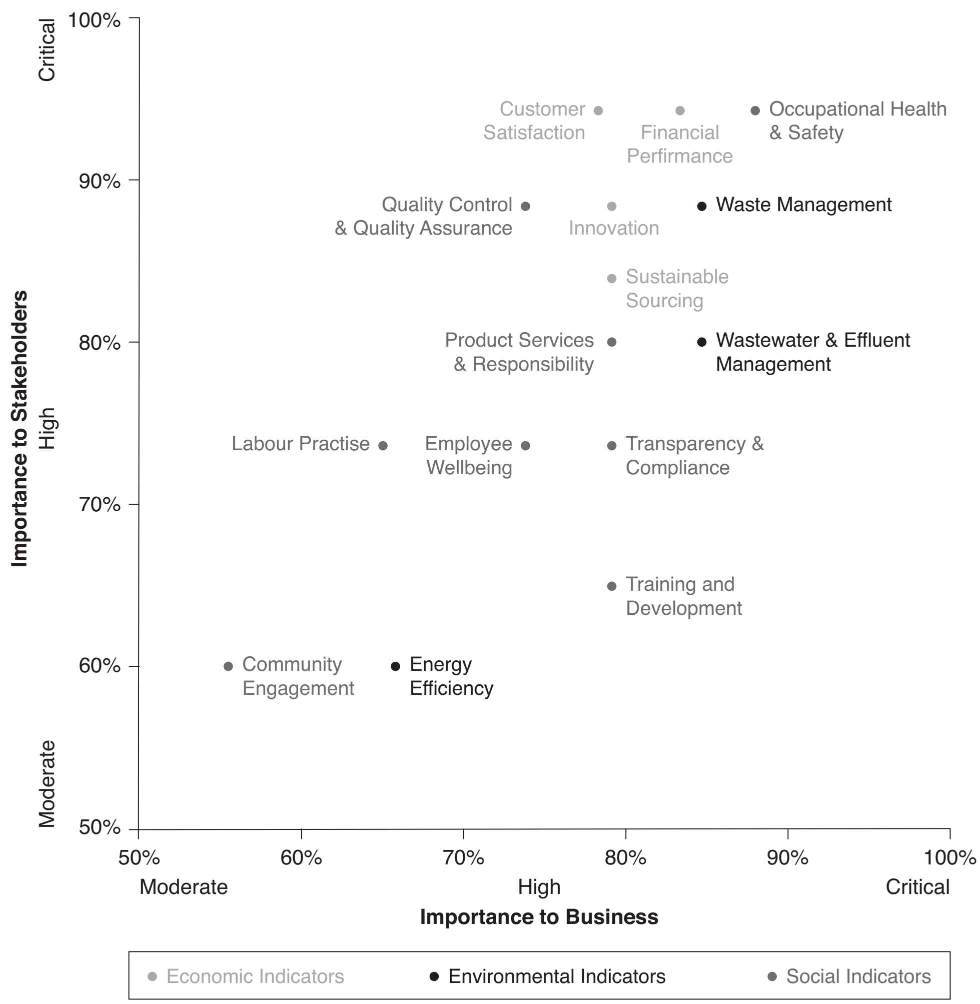
| Our Key Stakeholder | Our Engagement With Them during the Reporting Period | Frequency of Engagement | Issues Raised |
|---|---|---|---|
| Investors | Annual General Meeting<br>Company's website<br>Financial results announcements<br>Annual Reports<br>Press releases<br>Press conference | Annually<br>Continuous<br>Quarterly<br>Annually<br>As needed<br>As needed | • Group's financial and business performance<br>• Business strategy |
| Employees | Town hall sessions<br>Management meetings<br>Staff appraisals<br>Staff engagement activities (e.g. festive celebration, annual dinner)<br>Employees survey | As needed<br>Monthly<br>Continuous<br>Continuous<br>Continuous | • Performance evaluation and management<br>• Training and development programme<br>• Career progression, employee development needs<br>• Employees' needs and wellbeing |
| Customers | Customers meeting<br>Feedback sessions<br>Customer Satisfaction Surveys<br>Audit by Customers<br>Community and networking events | Continuous<br>Continuous<br>Continuous<br>Continuous<br>Continuous | • Product quality and safety<br>• Customer-company relationship management<br>• Product innovation<br>• Business practices and ethics |
| Suppliers and Vendors | Evaluation and performance reviews<br>Contract negotiation<br>Open tenders | Continuous<br>As needed<br>As needed | • Transparent procurement practices<br>• Fairness and business ethics<br>• Pricing of services<br>• Green sourcing of materials |
| Regulatory Agencies and Statutory Bodies | Inspection/audit by local authority<br>Compliance with Bursa Malaysia's requirements<br>Direct consultation with local regulators<br>Participation in workshops and events organised by regulatory agencies | Continuous<br>Continuous<br>Continuous<br>Continuous | • Environmental management and compliance<br>• Governance compliance<br>• Occupational safety and health<br>• Labour practices |
| Local Communities | Community engagement<br>CSR programmes<br>Press releases | Continuous<br>Continuous<br>As needed | • Social Issues<br>• Impact of business operations<br>• Transparency and accountability<br>• Environmental impacts |

### Materiality Assessment

We have identified the sustainability matters that are mapped to the GRI indicator and material to our multiwall industrial paper sacks and corrugated carton boxes segments. We periodically update the assessment to ensure it remains current, accurate and relevant to our businesses.

| 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 |

| Material Sustainability Matters | Applicable GRI Indicator(s) | Relevant Stakeholder Group(s) |
|---|---|---|
| **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 Education | Employees |
| **Employee Well-being** | Diversity and Equal Opportunity | Employees |



The list was then prioritised and formed the basis for the Group's sustainability strategy and focus. The factors that were identified as highly significant in its impact on KYM's business and stakeholders, are listed below:

| | |
|---|---|
| Economic | Sustainable Sourcing<br>Sustainable and Innovative Products |
| Environmental | Waste Management<br>Wastewater and Effluent Management<br>Energy Efficiency |
| Social | Business Ethics and Compliance<br>Occupational Health and Safety<br>Employee Wellbeing<br>Labour Practices<br>Training and Development<br>Engaging Our Customers and Product Services and Quality Systems |

Our performance in FY2017 will be served as a baseline to guide us in strategising and setting our sustainable development objectives in the coming years.

## ECONOMIC

- **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 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.

**Multiwall Industrial Paper Sacks**

It is important to source sustainable raw materials from certified suppliers. 90% of our raw material for the manufacturing of multi-wall industrial paper sacks, Sack Kraft paper 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.

We collaborate with a world leading provider of primary fibre based packaging materials for a sustainable procurement of major raw material i.e. high quality sack kraft paper for our industrial sacks manufacturing in the next 5 years.

**Corrugated Carton Boxes**

KYM's corrugated carton boxes are made from 100% recycled material and where applicable, with food grade certification, and therefore uses considerably less energy than producing new products from raw material. 100% of the raw material for the Corrugated Carton Boxes division is sourced from local certified paper mills with RoHS Compliance. 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.

KYM's superior quality products meet the customers' needs with excellent performance in food safety and security practices. We are one of the few in South East Asia passes the rigorous Yum! Supplier Food Safety Assessment (FSA) audit.

- **Sustainable and Innovative Products**

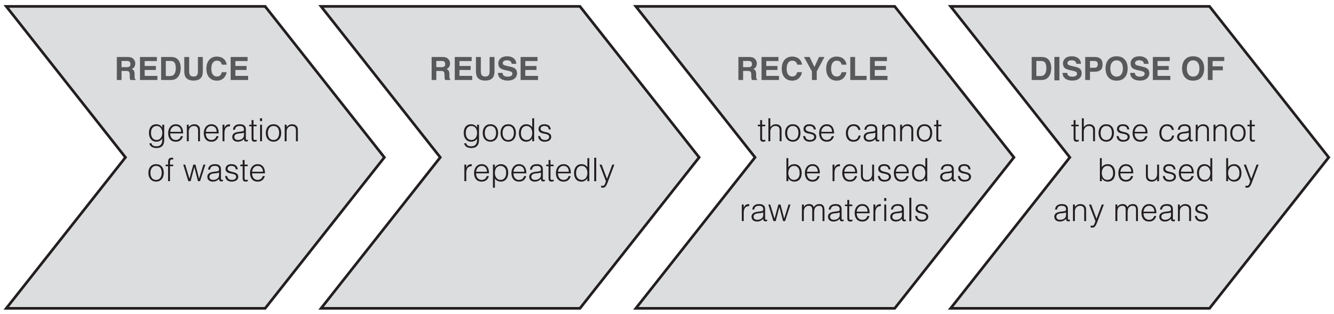
  Innovation plays a vital role in the growth of KYM. We constantly find new ways to increase the efficiency of our business to improve profitability. We invest heavily on innovative technology and machinery as it leads to production efficiency and an increase in product quality.

  With the state-of-the art machines, we increased raw material efficiency for multiwall industrial paper sacks i.e. minimise scrap and deliver the required lower basis-weight without compromising bag strength. We are working with major customers to reduce material consumption of their packaging. Our innovation also helps customers to improve sustainability work. The strength of our bags help generate a cleaner, healthier and safer working environment for our customers and higher efficiency in handling and transportation. We continue to work with key suppliers to continue to innovate our products to better serve our existing customers as well to develop new customers. Examples of the results of some of these new products are the Multiwall Industrial Paper Sacks Division's Top Deaeration system, the Rain Safe Sack and the D-Sacks.

  We partnered with major paper suppliers to strengthen our technical capabilities and upskill our people of the Multiwall Industrial Paper Sacks Division.

**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.




Based on the list of environmental matters in the GRI that are applicable to KYM Group, we will be prioritising the following key environmental matters that are pertinent to our business and stakeholder.

- **Waste Management**

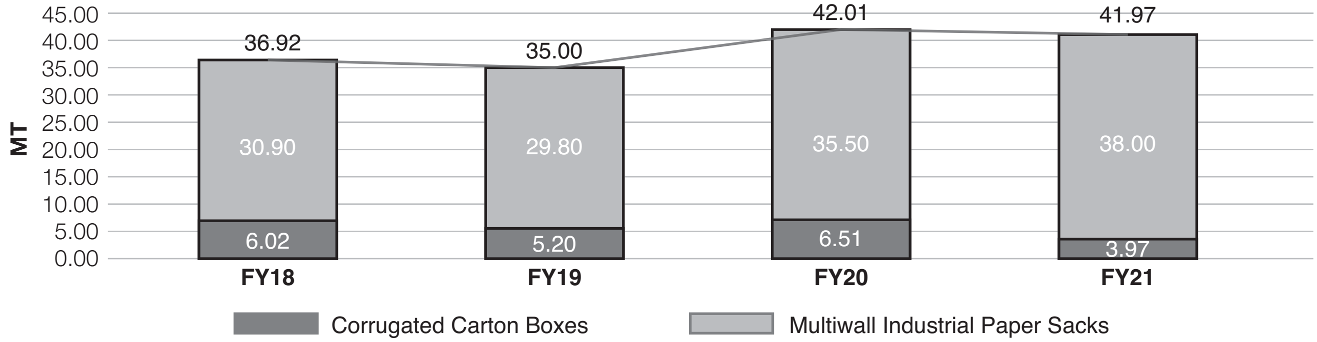
  We adopt the "Reduce, Reuse and Recycle" concept in our waste management. We strive to reduce our waste disposal to the landfill and are committed to ensure compliance with the local regulations.

  **Hazardous waste**

  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 of the scheduled waste is carried out only by our appointed scheduled waste contractors who are approved by the Department of Environment (DOE).

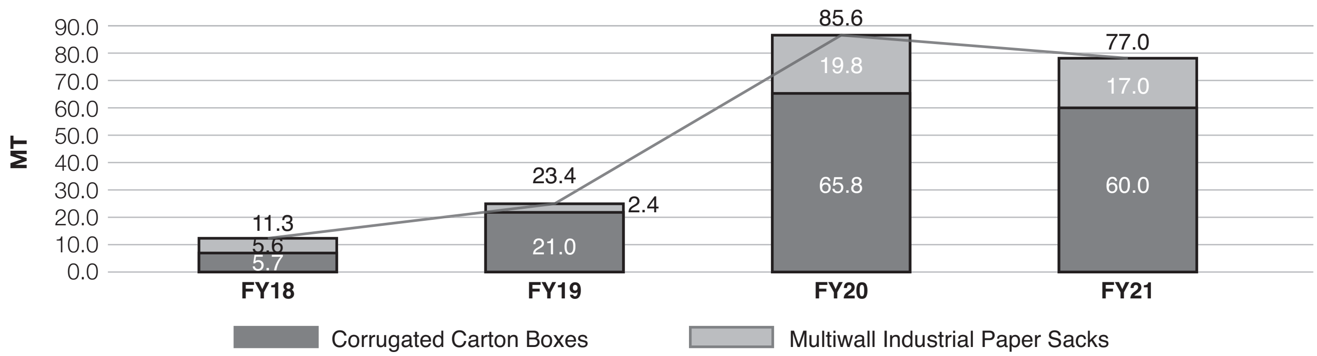
  Our scheduled wastes for the FY2021 were mainly glue waste, ink sludge, waste ink and printing block waste.

## HAZARDOUS WASTE




The total hazardous waste discharge for the year under review was 41.97MT, a slight decrease compared to 42.01MT in the previous year. The total decrease is mainly attributable to the reduction in hazardous waste in Corrugated Carton Boxes division, due to better control in and close monitoring of waste by a competent person appointed by DOE. While the scheduled waste of the Multiwall Industrial Paper Sack division increased to 38MT as compared to the previous year of 35.5MT. The increase of waste generated from the ink sludge, waste ink in the Multiwall Industrial Paper Sack division was due to increase in demand for higher printing specification. Coupled with smaller orders, the frequent colour change over resultant in more frequent ink wash to prevent colour contamination.

## LIQUID WASTE




The liquid waste of the Corrugated Carton Boxes division is higher as compared to solid waste as it does not have a wastewater treatment plant. The liquid waste will be sun dried to become solid waste for proper disposal .

The Group shall continue the monthly waste control and chemical exposure monitoring.

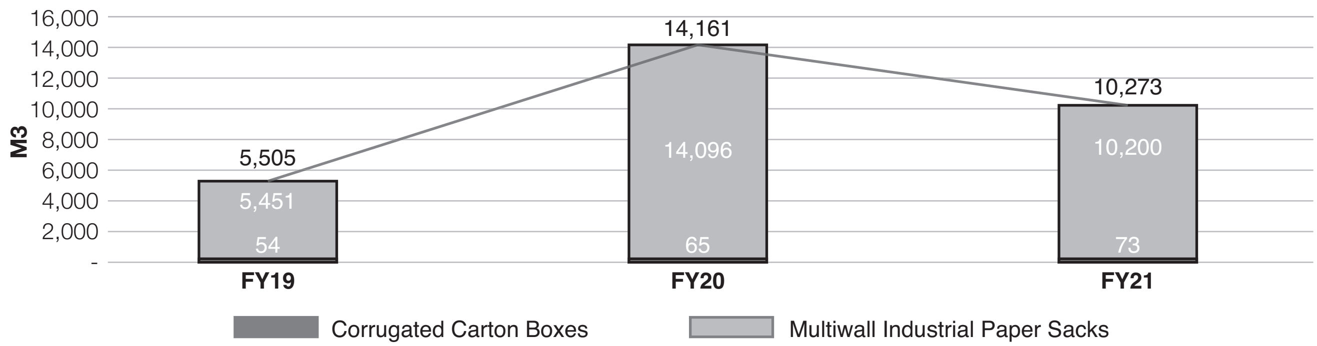
**General waste**

We improved the quality of the paper sacks packing per pallet to reduce the consumption of pallets, reused the pallets that were delivered by customers and repaired the broken pallets for reuse.

- **Wastewater and Effluent Management**

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.

**WATER CONSUMPTION**




During the financial year, the Multiwall Industrial Paper Sacks division engaged with the existing waste management contractors to recycle waste water and reuse it for ink wash. The independent third party continued to analyse the quality of the final discharge.

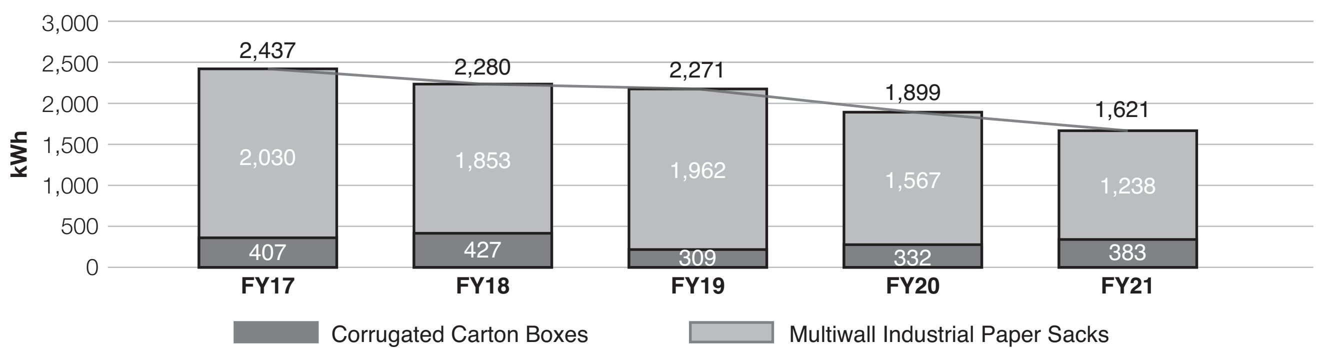
The Carton Box division tried to reduce the usage of water to clean the printing block and machines. However, the consumption of water increased due to frequent cleaning of printing block between prints for different models. They continue the monitoring on the usage of water per cleaning to ensure that they are able to control water consumption.

- **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. We regularly manage and monitor our energy consumption and efficiency strictly to reduce consumption, control and monitor electricity bills and retrofitting of existing appliances with energy-efficient systems.

The main source of energy consumption of our manufacturing plant is electricity.

**ELECTRICITY CONSUMPTION**




Due to the pandemic related operational shutdown, the comparison of electricity consumption between FY2021 and FY2020 will not provide an accurate assessment of the energy management initiatives employed.

For FY2021, there was a total reduction of 278kWh compared to the previous year of 1,899kWh. The Multiwall Industrial Paper Sacks division showed a reduction of electricity consumption mainly due to lower production and operational shutdown during the Movement Control Order period. Meanwhile, Corrugated Carton Boxes division recorded an increase of 15% due to higher overtime.

The plant in Beranang has replaced all the high bay lights at the production floor with LED lights. Timer is used to cut off the electricity supply automatically. The proposed installation of a new 30HP compressor to reduce energy consumption has been postponed to FY2022 due to the COVID-19 pandemic.

The Multiwall Industrial Paper Sacks division is changing the fluorescent high bay lights at the production floor to energy efficient LED lights gradually. The replacement of high bay lights with LED lights was 30% completed in Kanthan plant and 15% completed in Tapah plant. Regular machine preventive maintenance is performed to optimise the performance and reduce wear and tear that may increase energy consumption.

The Group has managed to gradually reduce the electricity consumption in the past five (5) years. We shall continue to monitor our electricity consumption whilst optimising our manufacturing process by implementing energy-saving initiatives and rectifying energy loss.

**SOCIAL**

- **Business Ethics and Compliance**

As a responsible Group, we comply with all the relevant laws and regulations set by government and the local authority. We are pleased to informed that our Multiwall Industrial Paper Sacks division complied with the OSHA 1994/FMA 1967 Act, Environmental Quality Act 1974, Kualiti Alam Sekeliling (Buangan Terjadual) 2005 and Fire Services Act 1988 (FC). We go beyond compliance by practising sustainable manufacturing practices and adhering to stringent regulations. We committed to full compliance of Restriction of Hazardous Substances (RoHS) Directive. Our food packaging products are made from high quality food grade paperboard.

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 and Main Market Listing Requirement issued by Bursa Malaysia.

KYM's Whistleblowing Policy was established to provide all directors and employees of KYM Group a platform to raise concerns or disclose any wrongdoing that may adversely impact the Group without fear of suffering retribution and to provide a transparent and confidential process for dealing with concerns.

We are determined to ensure our employees, at all levels of the Group and subsidiary companies, are committed to fighting corruption, and opposed to any form of bribery. During the financial year, the Group's Anti-Bribery and Corruption Policy ("ABAC Policy") was formalised on 26 March 2020. KYM adopts a zero-tolerance approach to corruption and bribery.

Training was conducted for the management of the subsidiaries at the factory in Beranang, Selangor and Kanthan, Perak in July 2020. Extensive explanation was given to ensure that the management is able to disseminate the information to all of their subordinate and external parties.

A follow up on the implementation of ABAC Policy was carried out in November and December 2020 to ensure all employees and vendors of the subsidiaries are aware of, understand and adhere to the ABAC Policy.

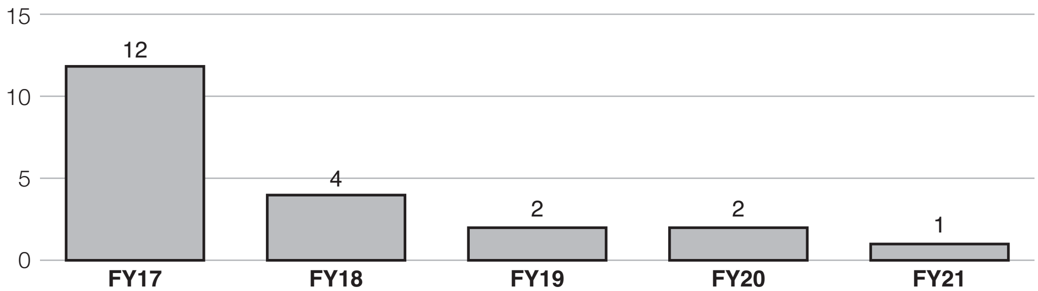
- **Our People**

At KYM, a positive work environment is created where our employees can learn, grow and most importantly, work safely. Our people are simply the most valued resource we have. We recognise the important role they play in our current success and long-term growth. 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.

- **Occupational Health and Safety**

We emphasise the need for safe working environments, regular review and access the safety of our work conditions which must meet with our corporate standards. 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.

**LOST TIME INJURY**




**ZERO**
**Fatalities**
**FY2021**

The Group continuously educates its employees by conducting series of health and safety-related trainings for both management and non-management staff. During the financial year, 1,628 training hours related to occupational health, safety and environment training programme were provided as follows:

- PPE training
- Chemical handling training
- Basic Operators' Safety Training

In light of the COVID-19 crisis and its impact on businesses, the Group adhered to the Standard Operating Procedure (SOP) issued by the Ministry of International Trade and Industry and Ministry of Health to safeguard of our employees' health and safety and to ensure business continuity:

- Daily temperature screening at factory entrance;
- Mandatory wearing of face mask;
- Provision of hand sanitizer;
- Practice physical distancing;
- Prescheduled daily sanitizing of the workplace and common areas;
- Virtual meeting where possible

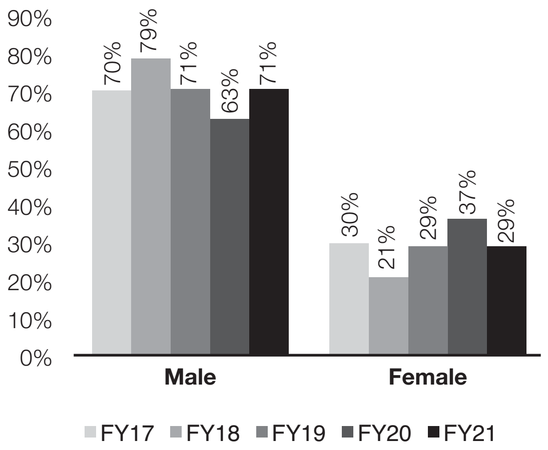
Staff at corporate office were segregated into two (2) teams to work in office and work from home by rotation to minimise potential infections at the workplace. All of the foreign workers have taken the COVID-19 screening test as per the mandatory instruction from the Malaysian National Security Council effective 1 December 2020. All employees are provided with Personal Protective Equipment (PPE).

We also ensure the living condition of our foreign workers comply with the amended Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 (Act 446) which became effective on 1 September 2020. Our hostels have been inspected by the Department of Labour Peninsular Malaysia, pending approval and issuance of certificate.

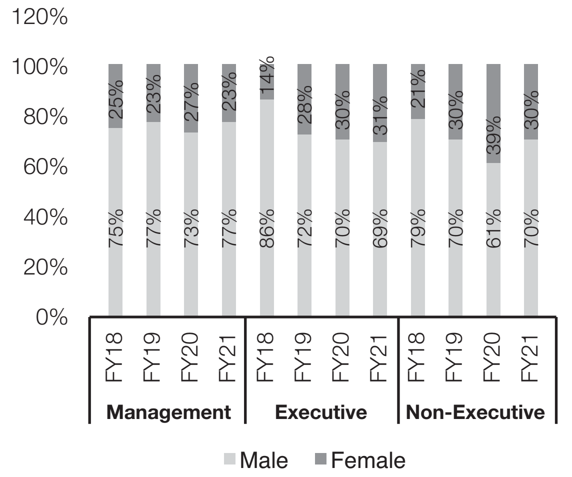
- **Employee Diversity**

The Group has a workforce of 219 employees, of which the Multiwall Industrial Paper Sacks division accounts for 63% of the Group's total headcount. 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. The distribution of our workforce demographics is displayed below:

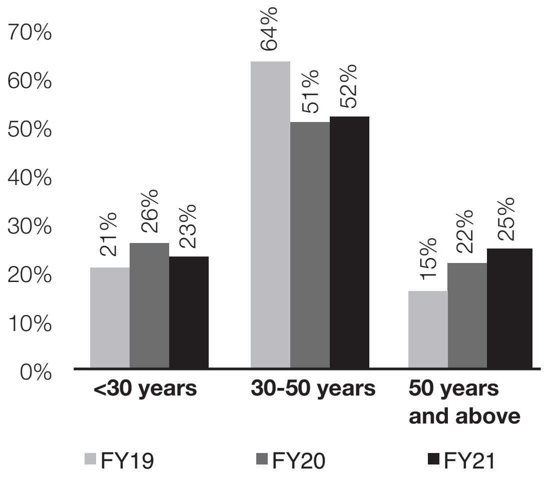
EMPLOYMENT BY GENDER



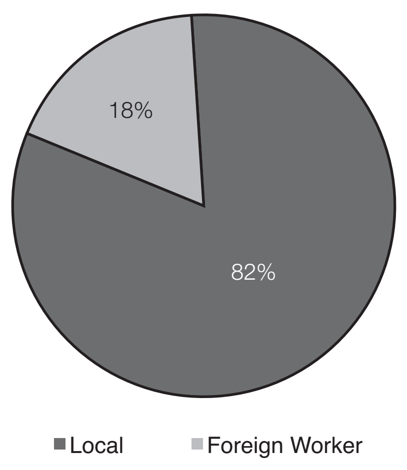

EMPLOYEES BY GENDER




EMPLOYEES BY AGE GROUP




EMPLOYEES BY NATIONALITY




As for our age group, employees in the age group of 30 to 50 years old forms the largest group which indicates that KYM Group employed experienced and skilled workers. The Group is committed to local employment where practical. Only 18% of our total workforce are non-Malaysian.

- **Fair Employment Practices**

  We comply with the requirements of the Employment Act, 1955 and the Minimum Wages Order 2020. 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 33% of KYM's workers are covered under the Collective Bargaining Agreement.

- **Training and Development**

  Satisfied and motivated employees secure the future of any organisation and contribute to the formation of a knowledgeable society. We view our employees as an important asset. We attract and retain talent by investing 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. We empower and invest in strengthening our people at all levels with relevant skills and knowledge through training, professional development and engagement activities. Due to the COVID-19 pandemic, total hours of training reduced as certain trainings were not available online.

| Number of people directly employed | Training and Development | Total Hours of Training |
|---|---|---|
| 219 | RM32,380.00 | 1,628 hours |

- **Employee Engagement**

  Keeping our employees motivated and enthusiastic about the work they do, is important in our efforts towards ensuring employee well-being. We rewarded those who perform their tasks and assigned jobs with excellence. Best Staff Awards were given in recognition of our employees' positive contributions. Long-Service Awards were given out in recognition of employees for their tenure within the organisation.

  We organise activities such as festive celebration, annual appreciation dinners, birthday celebrations etc. that will foster team work, cohesiveness and engagement with our employees. Unfortunately due to COVID-19 pandemic, such celebrations and staff activities have been halted to avoid the spread of virus at workplace.

- **Our Customers**

  Our business success is highly dependent on our ability to fulfil the needs and requirements of 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.

  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.

  The Multiwall Industrial Paper Sacks division is ISO 9001:2015 certified by Intertek Certification Limited and the certification is valid till 30 January 2023. Our Corrugated Carton Box division is ISO 9001: 2015 certified by SIRIM QAS International Sdn Bhd. In order to be certified and maintain the ISO certifications, our divisions are regularly audited by an independent certification body.

**Conclusion**

This statement describes our sustainability initiatives and our approach to addressing the material sustainability matters that are embedded in the Group's value chain. Moving forward we will continue to progress in our journey towards sustainability, in a focused and meaningful way to build a better tomorrow for our future generation.

The Board of Directors of KYM is pleased to present this statement to provide shareholders and investors with an overview of the corporate governance (CG) practices of the Company under the leadership of the Board during the financial year ended 31 January 2021 ("FY2021"). This overview takes guidance from the key CG principles as set out in the Malaysian Code on Corporate Governance 2017 (MCCG).

This overview statement is prepared in compliance with the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR") and is to be read in conjunction with the CG Report 2021 of the Company ("CG Report") which is available on the Company's website, www.kym.com.my. The CG Report provides the details on how the Company has applied each Practice as set out in the MCCG during the FY2021.

As at 31 January 2021, KYM applied 26 out of the total 32 recommended practices 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.

The Board is pleased to present this statement and explain how KYM has applied the three (3) principles which are set out in MCCG:

(a) Board leadership and effectiveness;
(b) Effective audit and risk management; and
(c) Integrity in corporate reporting and meaningful relationship with stakeholder.

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

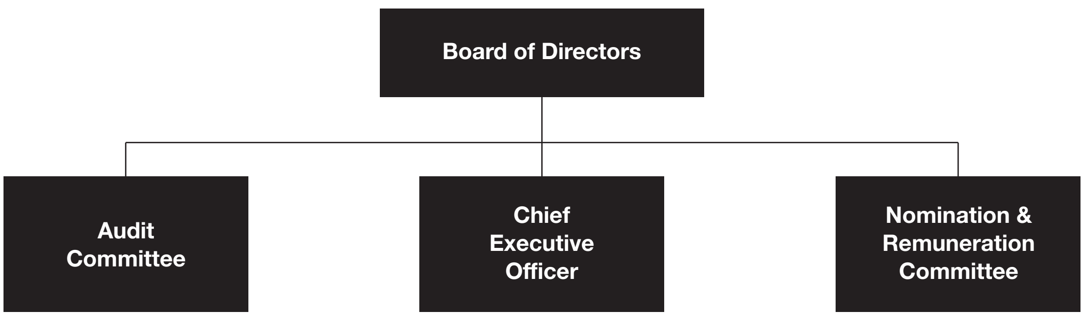
### I Board Responsibilities

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.

A description of the roles and responsibilities of the Board is stated in the Board Charter which is available at KYM's website www.kym.com.my.

The Board has delegated specific responsibilities to two (2) board committees namely Audit Committee and Nomination & Remuneration Committee ("NRC") that operate within clearly defined terms of references.

The Board delegates the day-to-day management of KYM's business to the Chief Executive Officer (CEO). The matters reserved for the collective decision of the Board are listed in the Board Charter.



The Directors discharged their roles and responsibilities through their attendance at the meeting. During the financial year, five (5) Board of Directors' Meeting 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 | 4/5 |
| Dato' Lim Kheng Yew | 5/5 |
| Datuk Seri Rahadian Mahmud Bin Mohammad Khalil | 5/5 |
| Dato' Mohd Azmi Bin Othman | 5/5 |
| Lee Ji Jin Darren | 5/5 |
| Lim Tze Thean | 5/5 |

During the financial year, certain policies and procedures including the Code of Conduct for employees were reviewed by the Board to ensure there are adequate procedures to prevent acts of corruption in the Group as required under new Section 17A of the Malaysian Anti-Corruption Commission Act 2009 ("MACC Act") which took effect on 1 June 2020. An Anti-Bribery and Corruption ("ABAC") Policy guided by the Guidelines on Adequate Procedures ("GAP") issued pursuant to Section 17A (5) of the MACC Act was formalised on 26 March 2020.

KYM adopts a zero-tolerance approach to corruption and bribery. Any violation of the ABAC Policy will be regarded as a serious matter and will result in disciplinary action, including dismissal and termination in accordance with local law. The Group has taken and will continue to take all reasonable and appropriate measures to ensure that all its Directors and employees conduct business dealings with the highest level of integrity and ethics and to fully comply with all applicable laws and regulatory requirements relating to bribery and corruption.

Board Charter and terms of reference of the Board Committee are reviewed as and when required. During the financial year, the Board approved the amendments to Board Charter to be in line with the amendments to the Listing Requirements.

The Board deliberated the business plan proposed by the Management. The plan sets out the key strategic issues and challenges, KPI, financial budgets including capital expenditure proposal for the following year at the scheduled Board Meeting. The financial budget is subject to review half yearly whereby comparisons of approved targets against the Company's actual performance will be made. Amid the COVID-19 pandemic, the Board assessed the impact of the COVID-19 outbreak on the Group's business operations extensively. Special strategies and initiatives proposed by the Management to mitigate the effect of impact were reviewed and approved by the Board to ensure the Group is able to weather the pandemic storm. The Board member actively participated in the discussion on management's proposals on strategic plan for the Group. The Board monitors the conducts of business by reviewing the financial performance of each segment at its quarterly meeting.

The details activities of the Board for FY2021 are provided in the CG Report 2021.

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.

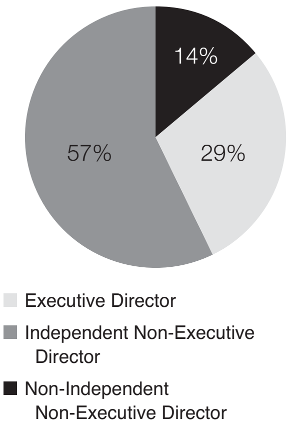
The Company Secretary updates the Board on any changes to statutory and regulatory requirements or governance practices concerning their duties and responsibilities.

All Directors are provided with reports and other relevant information in a timely manner, 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. Upon conclusion of the meeting, the minutes of the meeting are circulated in the timely manner.

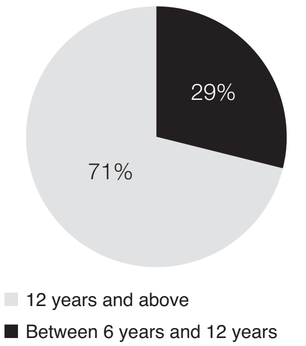
### II Board Composition

The Board recognises that an effective board should include the right group of people, with an appropriate mix of skills, knowledge, experience and independent elements that fit the Company's objectives and strategic goals.

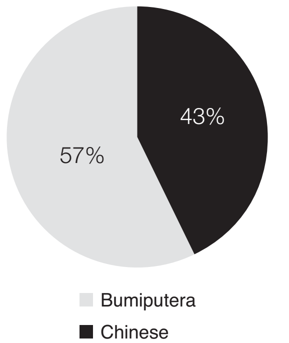
**DESIGNATION**



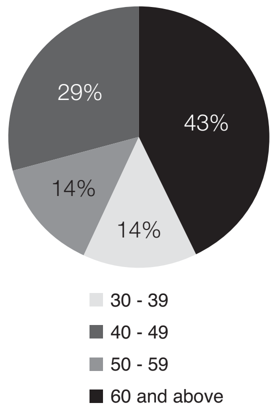

**YEARS OF SERVICE IN THE COMPANY**




**ETHNIC DIVERSITY**




**AGE OF THE DIRECTORS**




Currently the Board consists of seven (7) members: -

(a) two (2) Executive Director ("ED");
(b) one (1) Non-Independent Non-Executive Directors ("NINED"); and
(c) four (4) Independent Non-Executive Directors ("INED").

The Board is responsible for ensuring that there is an effective and orderly succession plan in KYM Group. The Board has identified the desired expertise and qualifications for new independent directors based on the Company's future needs and long-term vision. The Board has also identified experience needed in the future to deliver the Group's key strategic objectives.

The Board does not have a gender diversity policy or specific target for the appointment of female candidates in the recruitment of Directors. The Group practices non-discrimination in any form, whether based on age, gender or cultural background, throughout the organisation. The Board considers diversity from a number of different aspects, including diversity in skills, experience, age, and cultural background.

The Board through the NRC, conducts the annual assessment on effectiveness of the Board, the Board Committees and the individual Directors of the Company. The NRC consists of three (3) members. The members and the details of attendance at the NRC Meeting during the financial year are as follows:

| Name of Director and Designation | Number of Meeting Attended |
|---|---|
| Dato' Seri Dr. Isahak Bin Yeop Mohamad Shar<br>*(Chairman, Independent Non-Executive Director)* | 2/2 |
| Dato' Seri Ir. Mohamad Othman Bin Zainal Azim<br>*(Member, Senior Independent Non-Executive Director)* | 1/2 |
| Dato' Mohd Azmi Bin Othman<br>*(Member, Independent Non-Executive Director)* | 2/2 |

The terms of reference of the NRC are published on the Company's website www.kym.com.my.

NRC Activities FY2021

During the financial year, the NRC carried out the annual assessment of the effectiveness of the Board and Board Committee based on the agreed evaluation process, criteria to be used and the evaluation method. The NRC also carried out the following assessment internally with the assistance of the Company Secretary:

a) assessment of the independence of Independent Director;
b) assessment of the retiring Directors who were standing for re-election at the 38$^{th}$ AGM; and
c) assessment of the remuneration of the Directors (Executive and Non-Executive Directors).

Structured questionnaires were prepared taking into consideration the major roles performed by the Board. The Company Secretary compiled and presented the outcome of the assessment to the NRC. The NRC deliberated the outcome of the assessment and reported to the Board.

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 it duties professionally and effectively as well as uphold the governance standards in their conduct.

The annual evaluation of the independence of the independent directors revealed that the Independent Directors have been exercising independence and due care as an independent director during the financial year. They have been consistently providing independent judgement and unbiased view in decision making at board meetings. The NRC and Board recommended to the shareholders to approve the retention of four (4) Independent Non–Executive Directors who have served on the Board for a cumulative term of twelve (12) years namely Dato' Seri Dr. Isahak Bin Yeop Mohamad Shar, Datuk Seri Rahadian Mahmud Bin Mohammad Khalil, Dato' Seri Ir. Mohamad Othman Bin Zainal Azim and Dato' Mohd Azmi Bin Othman as Independent Non-Executive Director at the 38$^{th}$ AGM held on 23 July 2020 through a two-tier voting process.

In order to continue to contribute effectively to the Board and Board Committee meetings, Directors are regularly provided the opportunity to take part in ongoing training and development and can also request specific training that they may consider necessary or useful. All the Directors attended the virtual briefings conducted in-house in regards to the new Section 17A of MACC Act, amendments to Listing Requirements and the Reporting Framework for Beneficial Ownership of Legal Persons. The other continuous education programmes attended by the Directors during the financial year are as follows:

**Lee Ji Jin Darren**

- Taipan Masterclass 2020

**Lim Tze Thean**

- Taipan Masterclass 2020
- EO Malaysia : What you need to know

**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 Directors. The performance of Directors is measured by the Directors' contribution and commitment to both the Board and the Group. The Executive Directors 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 | Salary RM'000 | Bonus RM'000 | Allowance RM'000 | Defined Contribution Plan RM'000 | Benefits in Kind RM'000 | Total RM'000 |
| Executive: | | | | | | | | | |
| Dato' Lim Kheng Yew | - | - | - | 144 | - | - | 17 | - | 161 |
| Lim Tze Thean | - | - | - | 300 | - | - | 36 | - | 336 |
| 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 | 4 | 10 | - | - | 4 | - | - | 14 |
| Lee Ji Jin Darren | 10 | 4 | 10 | - | - | 4 | - | - | 14 |
| **TOTAL** | 104 | 18 | 104 | 444 | - | 18 | 53 | - | 619 |

Due to the highly competitive paper packaging industry and the challenges in talent management and retention in the Group, the Board is of the opinion that the disclosure of the Senior Management personnel's names and the various remuneration components (salary, bonus, benefits in-kind, other emoluments) to be sensitive and would not be in the best interest of the Group.

**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 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. Further details on the composition of the AC and about the external auditors will be set out in the Audit Committee Report.

The NRC conducts an annual assessment of the Audit Committee to ensure that the Audit Committee carries out their duties in accordance with the Terms of Reference of the Audit Committee. Based on the outcome of the assessment carried out during the financial year, the NRC and the Board was satisfied with the performance of the Audit Committee as a whole.

**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 is responsible to assist the Board in ensuring the adequacy and effectiveness of internal control. The Audit Committee will evaluate the adequacy and review the effectiveness of the risk management and internal control process. Each strategic business unit is responsible for identifying, assessing, measuring 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. In this respect, the key features of the Group's risk management framework are set out in Statement on Risk Management and Internal Control on pages 34 to 37 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. Therefore, 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 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.

Stakeholders can at any time seek clarification or raise queries through the corporate website, by email or phone. Primary contact details are set out at the Company's website.

**II Conduct of General Meetings**

The Annual General Meeting ("AGM") remains the primary platform for dialogue with shareholders.

Following the relaxation of restrictions during the Recovery Movement Control Order effective from 10 June 2020 until 31 December 2020, the Company's 38$^{th}$ AGM was held physically on 23 July 2020 in accordance with SOPs issued by MKN and guidelines issued by Securities Commission. All of the members of the Board were present at the meeting to respond to the questions raised by the shareholders or proxies. Management team together with the External Auditors were present to respond to all queries raised. As AGM is the principal forum for dialogue with shareholders, shareholders are provided with an opportunity to participate in the question and answer session in which shareholders may raise questions pertaining to the business activities of the Company.

Response to the written questions raised by the Minority Shareholders Watch Group (MSWG) were presented at the meeting. The Chairman of Nomination & Remuneration Committee answered questions raised in relation to the Corporate Governance issue while the Chairman of the Audit Committee and the Chief Executive Office answered questions relating to the financial and strategic matters. All the questions raised at the meeting and answers thereto were made available on the Company's website.

**COMPLIANCE STATEMENT**

This Statement was reviewed and approved by the Board on 20 May 2021.

# AUDIT COMMITTEE REPORT

The Board of Directors of KYM Holdings Bhd ("Board") is pleased to present Audit Committee ("AC") Report for financial year ended 31 January 2021 ("FY2021").

## COMPOSITION AND MEETINGS

| | | Attendance |
|---|---|---|
| Dato' Seri Ir. Mohamad Othman Bin Zainal Azim (Chairman) | Senior Independent Non-Executive Director | 5/5 |
| Dato' Mohd Azmi Bin Othman | Independent Non-Executive Director | 5/5 |
| Lee Ji Jin Darren *(Fellow of Association of Chartered Certified Accountants, United Kingdom)* | Non-Independent Non-Executive Director | 5/5 |

The composition of the 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.

During the FY2021, the AC members met five (5) times and details of attendance of each committee member are as above. The Chief Executive Officer (CEO), senior management, and representatives from the Internal or External Auditors were invited to attend the meeting to assist the AC's discussions and consideration of reports, and to answer questions in relation to internal or external audit reviews and improvement recommendations. The AC Chairman will then report on key issues discussed at each meeting to the Board for their further considerations and deliberations.

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 the key matters deliberated at the AC meetings and matters of significant concern as and when raised by the external or internal auditors.

## RESPONSIBILITIES OF THE AC

The responsibilities of the AC are set out in the Terms of Reference duly approved by the Board, a copy of which is posted on the Company's website under the Corporate Governance section.

Being a delegated body of the Board, the AC is empowered to review the financial matters and report and to discuss problems and reservations arising with Internal and external auditors. Information pertaining to the financial matters is made available to the AC members to ease their responsibilities, and the AC received full support from the Board members, Company Secretary, Internal and External Auditors as well as the staff of the Group in discharging its duties during the FY2021.

AC members are updated with the relevant developments in accounting and auditing standards, practices and rules by attending trainings and briefing from the External Auditors.

## ACTIVITIES OF THE AUDIT COMMITTEE

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

<u>Financial Reporting</u>

- 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 Accounts Assistant Manager 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 AC received assurance that appropriate accounting policies had been adopted and applied consistently;

- 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 26 March 2020, 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 2020. In the aforesaid meeting, the External Auditors identified Goodwill Impairment as a key audit matter which had been presented in the Independent Auditors' Report for year ended 31 January 2020.

- The External Auditors had on 26 March 2020, 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 of Risk Management and Internal Control and tax compliances. The total fees incurred by the Group for non-audit services rendered by Crowe Malaysia PLT and its network firms during the financial year ended 31 January 2020 were RM79,000. Considering the nature and scope of the non-audit service, the Audit Committee was of the opinion the independence of the External Auditors was not impaired by the provision of such non-audit services to the Group.

- The AC had on 11 June 2020, reviewed with the External Auditors, the final draft of the audited financial statements of the Company for the financial year ended 31 January 2020 prior to the approval by the Board. The External Auditors were 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 17 December 2020 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 2021 ("2021 APM"). The 2021 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 2021 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.

  The AC was completely satisfied with the performance of the external audit team who has demonstrated independence, objectivity and professional skepticism and the suitability of Crowe Malaysia PLT as a firm and recommended to the Board the re-appointment of Crowe Malaysia PLT as External Auditors. Crowe Malaysia PLT was re-appointed as the External Auditors at the 38$^{th}$ Annual General Meeting held on 23 July 2020.

- During the financial year, the AC had a private discussion with the External Auditors without the presence of the CEO and Management. At this meeting, other issues of concern to the AC were discussed.

- The AC had on 20 May 2021 evaluated the performance, suitability and independence of the External Auditors in accordance with the External Auditors Appointment and Independence Policy, taken into consideration of 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. The AC also reviewed the reasonableness of the audit fees charged against the size and complexity of the Group.

  After the evaluation, the AC recommended to the Board to propose to the shareholders the re-appointment of Crowe Malaysia PLT as External Auditors at the 39$^{th}$ Annual General Meeting.

Internal Auditors

- During the financial year, the outsourced internal audit function prepared the internal audit plan based on the Company's corporate and strategic goals, risks for the industry and the changes in the operating environment of the Company, and the discussion with the management on the latest risk information and business operation condition. The AC reviewed and approved the internal audit plan, audit scope and timing.

- The AC reviewed the internal audit reports presented by the Internal Auditors, considered the management's response and follow up actions thereto to ensure significant findings are adequately addressed by the management. The Managing Director of the subject Strategic Business Unit (SBU) was invited to attend the AC Meeting to facilitate discussions and to provide further information and explanation.

- A status report on the follow up audit issues together with management's explanations on outstanding items that are overdue, was tabled to the AC.

- The AC assessed the performance of the Internal Auditors in FY2021 and was satisfied with the performance of the outsourced internal audit function.

Related Party Transactions

- The AC reviewed the recurrent related party transactions ("RRPT") entered pursuant to the Shareholders' Mandate at every scheduled meeting 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

- On 20 May 2021, the AC reviewed the Audit Committee Report and Statement on Risk Management and Internal Control and recommended to the Board for inclusion in the 2021 annual report.

## INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to an independent external party, Tricor Axcelasia 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.

Cost incurred for the internal audit function in respect of the financial year ended 31 January 2021 is RM36,000.00.

Two (2) internal audit reports covering the following business processes were presented to the AC during the financial year: -

- Strategic planning;
- Occupational safety and health management (Covid-19);
- Cash flow management;
- Collection management; and
- Human Resource management.

A total of three (3) observations were raised of which two (2) were classified as High Priority which implementation of action must commence within 3 months from the date of the report. While one (1) observation was classified as Moderate Priority which implementation of action must commence within the next six (6) 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 reports 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.

**CONCLUSION**

The Board is of the view that the AC and all its members have discharged their duties and responsibilities effectively during the FY2021.

This statement is made in accordance with a resolution of the Board of Directors of KYM Holdings Bhd dated 20 May 2021.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors of KYM Holdings Bhd ("Board") is pleased to present its Statement on Risk Management & 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 2021.

## BOARD RESPONSIBILITIES

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

Management is accountable to the Board for implementing and monitoring the system of risk management and internal control and for providing assurance to the Board that it has done so. The Board received assurance from the CEO 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 FRAMEWORK

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 |

**IDENTIFICATION**
Management identified major business risks and financial risks affecting the Group's core business (manufacturing) 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
Internal control policies and procedures are established

**REVIEW & REPORT**
Review and report changes to risk profiles and identify emerging risk

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. There were no new business proposals or major investments during the year.

The Group is exposed to the following major risks during the financial year ended 31 January 2021:

- Business Continuity amid COVID-19 Pandemic

  The COVID-19 outbreak has evolved into a global pandemic. KYM Group's priority has always been to ensure the safety, health and well-being of all its employees. The operations of our Multiwall Industrial Paper Sacks division were disrupted during the Movement Control Order imposed by the Government in March and April 2020 where all non-essential sectors were required to temporary close the business premises in response to the COVID-19 pandemic. We have resumed full operations since May 2020 with strict adherence to the SOP issued by the Ministry of International Trade and Industry and Ministry of Health. In addition, staff at corporate office were segregated into 2 teams to work in office and work from home by rotation to minimise potential infections at the workplace. During the various stages of MCO, to the extent permitted, the Group had effectively maintained the continuity of its operations.

- Market competition

  The local paper packaging industry is highly competitive and will have a significant impact on selling price and profitability. The Group managed these risks by diversifying to export markets to reduce dependence on local or typical single market, adding new business segments and providing value added services.

- Fluctuation in Foreign Currency Exchange Rate

  The Group is exposed to foreign currency risk on sales and purchase transactions and trade balances that are denominated in foreign exchange. Volatility of the Ringgit Malaysia against the Euro and US Dollar could compress the Group's profit margin as 90% of the raw materials for the manufacturing of multiwall industrial paper sacks are imported. As the export sales is denominated in US Dollar, there is a natural hedge as the selling price for export in US Dollar has a positive correlation with the strengthening of the US Dollar.

  The Board noted the risk of fluctuation in foreign currency exchange rate and had on 17 December 2020 formalised a Foreign Exchange Policy and Procedure of Hasrat Meranti Sdn Bhd setting out a broad framework for proactive foreign exchange exposure management.

- Procurement and paper price movement

  Sack kraft papers are commodities. Paper supply and the fluctuation of paper price will have a significant impact on the cost of our products. The Group adopts an effective procurement process to mitigate material shortage and to avoid high stock taken into consideration of the lead time in procurement. Management also procures paper from multiple sources to limit supply risk and overdependence on any single supplier.

The Audit Committee with the assistance of the Internal Auditors, Tricor Axcelasia 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. 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.

The Limits of Authority and the categories of transactions is reviewed periodically to determine the relevance and applicability of existing authority levels.

**(2) Strategic Planning and Monitoring**

- The Group's corporate objectives and corporate values deliberated at the Board Meeting will be disseminated to members of management at the scheduled monthly top 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, 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 is 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 9001:2015 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.

**(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 conduct.
- A Whistleblowing Policy has been formalised 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.
- An Anti-Bribery and Corruption Policy ("ABAC Policy") has been approved by the Board on 26 March 2020 to maintain and preserve the highest standard of integrity, transparency and accountability in the Group's business operations. The Company adopts a zero-tolerance approach to corruption and bribery. Any violation of the ABAC Policy will be regarded as a serious matter and will result in disciplinary action, including dismissal and termination in accordance with local law.

## 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 2021, 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 20 May 2021.

1. **STATEMENTS 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 2021, 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. **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 | 181,900 | 48,000 |
| Non-Audit Services | 79,000 | 13,000 |

3. **MATERIAL CONTRACTS**

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Group involving the interest of Directors and major shareholders that were still subsisting at the end of the financial year ended 31 January 2021 or since the end of the previous financial year.

# FINANCIAL STATEMENTS

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 2021.

## 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.

## RESULTS

| | The Group RM'000 | The Company RM'000 |
|---|---|---|
| Loss after taxation for the financial year | (1,062) | (1,224) |
| Attributable to:- | | |
| Owners of the Company | (1,062) | (1,224) |
| Non-controlling interests | - | - |
| | (1,062) | (1,224) |

## DIVIDENDS

No dividend was recommended by the directors for the financial year.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those 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.

## EMPLOYEE SHARE OPTION SCHEME

The Employee 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 then was 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 expired on 15 May 2020.

The details of the ESOS are disclosed in Note 18 to the financial statements.

## 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

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

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 Eng
Mok Tuck Meng
Tan Peng Aun
Lim Kheng Ee @ Lim Kheng Yee (Deceased on 26.12.2020)

## DIRECTORS' INTERESTS

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

| | Number of Ordinary Shares | | | |
|---|---|---|---|---|
| | At 1.2.2020 | Bought | Sold | At 31.1.2021 |
| **The Company** | | | | |
| *Direct Interests* | | | | |
| Dato' Lim Kheng Yew | 2,000,000 | - | - | 2,000,000 |
| Dato' Mohd Azmi Bin Othman | 42,000 | - | - | 42,000 |
| Lee Ji Jin Darren | 110,000 | - | - | 110,000 |
| Lim Tze Thean | 3,650,000 | - | - | 3,650,000 |
| *Indirect Interests* | | | | |
| Dato' Lim Kheng Yew* | 47,650,000 | 2,800,000 | - | 50,450,000 |
| Lim Tze Thean# | 7,000,000 | 2,800,000 | - | 9,800,000 |

* Deemed interested by virtue of his direct and indirect shareholdings in Cheong Chan Holdings Sdn Bhd, KYM Sdn Bhd and West River Capital Sdn Bhd pursuant to Section 8 of the Companies Act 2016, and by virtue of the shareholdings of his spouse and children pursuant to Section 59(11)(c) of the Companies Act 2016.

\# Deemed interested by virtue of his direct and indirect shareholdings in KYM Sdn Bhd and West River Capital Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

**DIRECTORS' INTERESTS (CONT'D)**

| | Number of Options over Ordinary Shares | | | |
|---|---|---|---|---|
| | At 1.2.2020 | Granted | Lapsed | At 31.1.2021 |
| ***Share Options of the Company*** | | | | |
| Dato' Seri Dr. Isahak Bin Yeop Mohamad Shar | 760,000 | - | (760,000) | - |
| Dato' Lim Kheng Yew | 1,000,000 | - | (1,000,000) | - |
| Datuk Seri Rahadian Mahmud Bin Mohammad Khalil | 300,000 | - | (300,000) | - |
| Dato' Seri Ir. Mohamad Othman Bin Zainal Azim | 300,000 | - | (300,000) | - |

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

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than 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 41 to the financial statements.

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

**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 37 to the financial statements.

**INDEMNITY AND INSURANCE COST**

During the financial year, the total amounts of indemnity coverage and insurance premium paid for the directors and certain officers of the Company were RM10 million and RM15,115 respectively.

**SUBSIDIARIES**

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

**SIGNIFICANT EVENT DURING THE FINANCIAL YEAR AND SUBSEQUENT EVENT**

The significant event during the financial year and subsequent event is disclosed in Note 46 to the financial statements.

## AUDITORS

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office.

The details of the auditors' remuneration are disclosed in Note 33 to the financial statements.

Signed in accordance with a resolution of the directors dated 20 May 2021

**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 49 to 112 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 2021 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 20 May 2021

**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 49 to 112 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, NRIC Number: 510717-08-5137
at Kuala Lumpur
in the Federal Territory
on this 20 May 2021

**Dato' Lim Kheng Yew**

Before me

Datin Hajah Raihela Wanchik (No. W 275)
Commissioner for Oaths
Kuala Lumpur

# INDEPENDENT AUDITORS' REPORT

**TO THE MEMBERS OF KYM HOLDINGS BHD.**
(Incorporated in Malaysia) Registration No: 198201004556 (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 2021 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 49 to 112.

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 2021, 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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 10 to the financial statements

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| The Group has goodwill of approximately RM4.7 million arising from the acquisition of Hasrat Meranti Sdn. Bhd. and its subsidiaries, a cash generating unit.<br><br>The goodwill arising from the 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.<br><br>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.<br><br>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. | Our procedures included, among others:-<br><br>(a) Making enquiries of and challenging the management on the key assumptions made, which included the following:-<br><br>(i) the achievability of the business plan; and<br>(ii) sales growth, profit margins, discount rates and terminal value;<br><br>(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<br><br>(c) Assessing the adequacy of disclosure of goodwill in the financial statements. |

**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.

**Auditors' Responsibilities for the Audit of the Financial Statements (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, actions taken to eliminate threats or safeguards applied.

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 auditors' 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 Malaysia PLT**
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

**Ngiam Mia Teck**
03000/07/2022 J
Chartered Accountant

20 May 2021

Kuala Lumpur

# STATEMENTS OF FINANCIAL POSITION

**AT 31 JANUARY 2021**

| | Note | The Group 2021 RM'000 | The Group 2020 RM'000 | The Company 2021 RM'000 | The Company 2020 RM'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| NON-CURRENT ASSETS | | | | | |
| Investments in subsidiaries | 5 | - | - | 27,284 | 27,284 |
| Other investments | 6 | 1 | 1 | * | * |
| Property, plant and equipment | 7 | 23,844 | 26,238 | 6 | 16 |
| Investment properties | 8 | 43,418 | 43,108 | - | - |
| Right-of-use assets | 9 | 44,980 | 48,517 | 2,988 | 3,373 |
| Intangible asset | 10 | 4,667 | 4,667 | - | - |
| | | 116,910 | 122,531 | 30,278 | 30,673 |
| CURRENT ASSETS | | | | | |
| Inventories | 11 | 15,225 | 17,139 | - | - |
| Trade receivables | 12 | 17,077 | 16,870 | - | - |
| Other receivables, deposits and prepayments | 13 | 1,779 | 2,050 | 353 | 220 |
| Amount owing by subsidiaries | 14 | - | - | 27,851 | 28,416 |
| Current tax assets | | 1,159 | 1,518 | - | - |
| Short-term investment | 15 | 12 | 12 | 12 | 12 |
| Fixed deposits with licensed banks | 16 | 1,348 | 1,332 | - | - |
| Cash and bank balances | | 8,533 | 3,970 | 40 | 31 |
| | | 45,133 | 42,891 | 28,256 | 28,679 |
| TOTAL ASSETS | | 162,043 | 165,422 | 58,534 | 59,352 |
| **EQUITY AND LIABILITIES** | | | | | |
| EQUITY | | | | | |
| Share capital | 17 | 110,381 | 110,381 | 110,381 | 110,381 |
| Employee share option reserve | 18 | - | 853 | - | 853 |
| Revaluation reserve | 19 | 72 | 72 | - | - |
| Accumulated losses | | (25,749) | (25,540) | (85,060) | (84,689) |
| Equity attributable to owners of the Company | | 84,704 | 85,766 | 25,321 | 26,545 |
| Non-controlling interests | | 3 | 3 | - | - |
| TOTAL EQUITY | | 84,707 | 85,769 | 25,321 | 26,545 |
| NON-CURRENT LIABILITIES | | | | | |
| Term loans | 20 | 498 | 609 | - | - |
| Lease liabilities | 21 | 23,095 | 26,366 | 3,015 | 3,338 |
| Deferred tax liabilities | 22 | 9,037 | 9,671 | - | - |
| | | 32,630 | 36,646 | 3,015 | 3,338 |

The annexed notes form an integral part of these financial statements

# STATEMENTS OF FINANCIAL POSITION
## AT 31 JANUARY 2021 (CONT'D)

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | | 2021 | 2020 | 2021 | 2020 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| CURRENT LIABILITIES | | | | | |
| Trade payables | 23 | 7,377 | 9,533 | - | - |
| Other payables and accruals | 24 | 6,681 | 6,210 | 549 | 501 |
| Amount owing to subsidiaries | 14 | - | - | 28,445 | 28,423 |
| Amount owing to related parties | 25 | 1,430 | 529 | 881 | 364 |
| Amount owing to a director | 26 | 77 | 77 | - | - |
| Lease liabilities | 21 | 5,242 | 5,064 | 323 | 181 |
| Short-term borrowings | 27 | 20,147 | 14,763 | - | - |
| Bank overdrafts | 28 | 3,752 | 6,831 | - | - |
| | | 44,706 | 43,007 | 30,198 | 29,469 |
| TOTAL LIABILITIES | | 77,336 | 79,653 | 33,213 | 32,807 |
| TOTAL EQUITY AND LIABILITIES | | 162,043 | 165,422 | 58,534 | 59,352 |

Note:
* represents RM2



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 2021

| | Note | The Group 2021 RM'000 | The Group 2020 RM'000 | The Company 2021 RM'000 | The Company 2020 RM'000 |
|---|---|---|---|---|---|
| REVENUE | 29 | 70,253 | 90,988 | - | - |
| COST OF SALES | 30 | (61,182) | (83,008) | - | - |
| GROSS PROFIT | | 9,071 | 7,980 | - | - |
| OTHER INCOME | 31 | 1,485 | 1,337 | * | 515 |
| | | 10,556 | 9,317 | * | 515 |
| SELLING AND DISTRIBUTION EXPENSES | 32 | (3,335) | (4,288) | - | - |
| ADMINISTRATIVE EXPENSES | 33 | (5,043) | (5,995) | (353) | (616) |
| OTHER EXPENSES | 34 | (945) | (5,221) | (399) | (135) |
| FINANCE COSTS | 35 | (2,431) | (2,891) | (228) | (86) |
| NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS | 36 | (298) | - | (244) | (2,644) |
| LOSS BEFORE TAXATION | | (1,496) | (9,078) | (1,224) | (2,966) |
| INCOME TAX EXPENSE | 38 | 434 | 280 | - | - |
| LOSS AFTER TAXATION/TOTAL COMPREHENSIVE EXPENSES FOR THE FINANCIAL YEAR | | (1,062) | (8,798) | (1,224) | (2,966) |
| LOSS AFTER TAXATION/TOTAL COMPREHENSIVE EXPENSES ATTRIBUTABLE TO:- | | | | | |
| Owners of the Company | | (1,062) | (8,802) | (1,224) | (2,966) |
| Non-controlling interests | | - | 4 | - | - |
| | | (1,062) | (8,798) | (1,224) | (2,966) |
| LOSS PER SHARE (SEN) | 39 | | | | |
| Basic | | (0.71) | (5.87) | | |
| Diluted | | (0.71) | (5.87) | | |

Note:
* represents RM292

The annexed notes form an integral part of these financial statements

# STATEMENTS OF CHANGES IN EQUITY

**FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2021**

| The Group | Share Capital RM'000 | Employee 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 1.2.2019 | 110,381 | 853 | 72 | (16,738) | 94,568 | (1) | 94,567 |
| Loss after taxation/ Total comprehensive expenses for the financial year | - | - | - | (8,802) | (8,802) | 4 | (8,798) |
| Balance at 31.1.2020/1.2.2020 | 110,381 | 853 | 72 | (25,540) | 85,766 | 3 | 85,769 |
| Loss after taxation/ Total comprehensive expenses for the financial year | - | - | - | (1,062) | (1,062) | - | (1,062) |
| Contributions by and distributions to owners of the Company: - Employee share option reserve lapsed | - | (853) | - | 853 | - | - | - |
| Balance at 31.1.2021 | 110,381 | - | 72 | (25,749) | 84,704 | 3 | 84,707 |

| | Share Capital RM'000 | Employee Share Option Reserve RM'000 | Accumulated Losses RM'000 | Total Equity RM'000 |
|---|---|---|---|---|
| **The Company** | | | | |
| Balance at 1.2.2019 | 110,381 | 853 | (81,723) | 29,511 |
| Loss after taxation/Total comprehensive expenses for the financial year | - | - | (2,966) | (2,966) |
| Balance at 31.1.2020/1.2.2020 | 110,381 | 853 | (84,689) | 26,545 |
| Loss after taxation/Total comprehensive expenses for the financial year | - | - | (1,224) | (1,224) |
| Contributions by and distributions to owners of the Company: - Employee share option reserve lapsed | - | (853) | 853 | - |
| Balance at 31.1.2021 | 110,381 | - | (85,060) | 25,321 |



The annexed notes form an integral part of these financial statements

| | Note | The Group 2021 RM'000 | The Group 2020 RM'000 | The Company 2021 RM'000 | The Company 2020 RM'000 |
|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Loss before taxation | | (1,496) | (9,078) | (1,224) | (2,966) |
| Adjustments for:- | | | | | |
| Bad debts written off | | 29 | 26 | 4 | 22 |
| Deposits written off | | 25 | - | - | - |
| Depreciation of property, plant and equipment | | 3,401 | 3,567 | 10 | 17 |
| Depreciation of right-of-use assets | | 3,445 | 3,256 | 385 | 96 |
| Dividend income | | - | (#) | - | - |
| Fair value (gain)/loss on investment properties | | (310) | 4,502 | - | - |
| Fair value (gain)/loss on quoted investment | | (^) | * | - | - |
| Gain on disposal of property, plant and equipment | | - | (12) | - | - |
| Gain on disposal of right-of-use assets | | - | (38) | - | - |
| Impairment losses on amount owing by subsidiaries | | - | - | 244 | 2,644 |
| Impairment losses on trade receivables | | 298 | - | - | - |
| Inventories written down | | 44 | - | - | - |
| Inventories written off | | 6 | 1,711 | - | - |
| Interest expense | | 2,431 | 2,891 | 228 | 86 |
| Interest income | | (16) | (36) | (@) | (5) |
| Waiver of amount owing to a subsidiary | | - | - | - | (510) |
| Operating profit/(loss) before working capital changes | | 7,857 | 6,789 | (353) | (616) |
| Decrease in inventories | | 1,864 | 11,475 | - | - |
| (Increase)/Decrease in trade and other receivables | | (288) | 3,739 | (133) | 15 |
| (Decrease)/Increase in trade and other payables | | (1,685) | (13,956) | 48 | 69 |
| Decrease in amount owing by subsidiaries | | - | - | 439 | 639 |
| Increase/(Decrease) in amount owing to related parties | | 901 | (59) | 517 | - |
| CASH FROM OPERATIONS | | 8,649 | 7,988 | 518 | 107 |
| Income tax refunded | | 601 | 1,955 | - | - |
| Income tax paid | | (442) | (1,188) | - | - |
| Interest paid | | (2,431) | (2,841) | (228) | (36) |
| NET CASH FROM OPERATING ACTIVITIES | | 6,377 | 5,914 | 290 | 71 |
| CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES | | | | | |
| Addition to right-of-use assets | 40(a) | (7) | - | - | - |
| Interest received | | 16 | 36 | @ | 5 |
| Dividend received | | - | # | - | - |
| Proceeds from disposal of property, plant and equipment | | - | 16 | - | - |
| Proceeds from disposal of right-of-use assets | | - | 58 | - | - |
| Purchase of property, plant and equipment | 40(a) | (842) | (962) | - | - |
| Placement of fixed deposits with licensed banks | | (16) | (31) | - | - |
| NET CASH (FOR)/FROM INVESTING ACTIVITIES | | (849) | (883) | @ | 5 |
| Balance carried forward | | 5,528 | 5,031 | 290 | 76 |

The annexed notes form an integral part of these financial statements

# STATEMENTS OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2021 (CONT'D)

| | Note | The Group 2021 RM'000 | The Group 2020 RM'000 | The Company 2021 RM'000 | The Company 2020 RM'000 |
|---|---|---|---|---|---|
| Balance brought forward | | 5,528 | 5,031 | 290 | 76 |
| CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES | | | | | |
| Repayment of lease liabilities | | (3,159) | (4,882) | (181) | - |
| Net drawdown/(repayment) of bills payable | | 5,585 | (2,231) | - | - |
| Repayment of term loans | | (97) | (236) | - | - |
| Net drawdown of bankers' acceptances | | 385 | 418 | - | - |
| Net repayment of revolving credit | | (600) | (100) | - | - |
| Repayment to a subsidiary | | - | - | (100) | (600) |
| NET CASH FROM/(FOR) FINANCING ACTIVITIES | 40(b) | 2,114 | (7,031) | (281) | (600) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | 7,642 | (2,000) | 9 | (524) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR | | (2,849) | (849) | 43 | 567 |
| CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR | 40(d) | 4,793 | (2,849) | 52 | 43 |

Notes:

(#)/# represents (RM39)/RM39
* represents RM23
(@)/@ represents (RM292)/RM292
(^) represents (RM134)

## 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 Level 17, KYM Tower, No. 8 Jalan PJU 7/6, Mutiara Damansara 47800 Petaling Jaya, Selangor.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 20 May 2021.

## 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.

## 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 3: Definition of a Business
Amendments to MFRS 4: Extension of the Temporary Exemption from Applying MFRS 9
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108: Definition of Material
Amendments to References to the Conceptual Framework in MFRS Standards

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

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

| MFRSs and/or IC Interpretations (Including The Consequential Amendments) | Effective Date |
|---|---|
| MFRS 17 Insurance Contracts | 1 January 2023 |
| Amendments to MFRS 3: Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform - Phase 2 | 1 January 2021 |
| Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred |
| Amendment to MFRS 16: Covid-19-Related Rent Concessions | 1 June 2020 |
| Amendment to MFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021 | 1 April 2021 |
| Amendments to MFRS 17 Insurance Contracts | 1 January 2023 |
| Amendment to MFRS 101: Classification of Liabilities as Current or Non-current | 1 January 2023 |
| Amendments to MFRS 101: Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to MFRS 108: Definition of Accounting Estimates | 1 January 2023 |
| Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use | 1 January 2022 |
| Amendments to MFRS 137: Onerous Contracts - Cost of Fulfilling a Contract | 1 January 2022 |
| Annual Improvements to MFRS Standards 2018 - 2020 | 1 January 2022 |

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.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### 4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The outbreak of the COVID-19 has brought unprecedented challenges and added economic uncertainties in Malaysia and markets in which the Group operates. While the Group has considered the potential financial impact of the COVID-19 pandemic in the preparation of these financial statements, the full financial impact to the Group remains uncertain. Accordingly, there is a possibility that factors not currently anticipated by management could occur in the future and therefore affect the recognition and measurement of the Group's assets and liabilities at the reporting date.

*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 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 which are subject to higher degree of estimation uncertainties due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in markets in which the Group operates. The carrying amount of goodwill as at the reporting date is disclosed in Note 10 to the financial statements.

**(d) Impairment of Property, Plant and Equipment and Right-of-use Assets**

The Group determines whether an item of its property, plant and equipment and right-of-use assets 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 which are subject to higher degree of estimation uncertainties due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in markets in which the Group operates. The carrying amounts of property, plant and equipment and right-of-use assets as at the reporting date are disclosed in Notes 7 and 9 to the financial statements.

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

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

*Key Sources of Estimation Uncertainty (Cont'd)*

**(e) 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 11 to the financial statements.

**(f) Impairment of Trade Receivables**

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. The Group develops the expected loss rates based on the payment profiles of past sales including changes in the customer payment profile in response to the COVID-19 pandemic and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of trade receivables. The carrying amount of trade receivables as at the reporting date is disclosed in Note 12 to the financial statements.

**(g) Impairment of Non-Trade Receivables**

The loss allowances for non-trade financial assets are based on assumptions about risk of default and expected loss rates. It also requires the Group to assess whether there is a significant increase in credit risk of the non-trade financial asset at the reporting date. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions and forward-looking information. The carrying amounts of other receivables and amounts owing by subsidiaries as at the reporting date are disclosed in Notes 13 and 14 to the financial statements respectively.

**(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 period in which such determination is made. The carrying amount of current tax assets as at the reporting date is RM1,159,351 (2020 - RM1,517,947).

*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 investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

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

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

*Critical Judgements Made in Applying Accounting Policies (Cont'd)*

**(b) Lease Terms**

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

In determining the incremental borrowing rate of the respective leases, the Group first determines the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

**(c) 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 assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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

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

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

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

**(b) Non-controlling Interests**

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

**(c) Changes in Ownership Interests in Subsidiaries without Change of Control**

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in the 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 of the initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### 4.3 GOODWILL

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

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

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

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

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 and has been rounded to the nearest thousand, unless otherwise stated.

**(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 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 (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

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

**(a) Financial Assets**

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

*Debt Instruments*

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

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), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

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

4.5 FINANCIAL INSTRUMENTS (CONT'D)

**(a) Financial Assets (Cont'd)**

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

*Equity Instruments*

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

**(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. The changes in fair value of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are 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 (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 liability or a shorter period (where appropriate).

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

4.5 FINANCIAL INSTRUMENTS (CONT'D)

**(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.

**(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 when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**(e) Financial Guarantee Contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the amount of the credit loss determined in accordance with the expected credit loss model and the amount initially recognised less cumulative amortisation.

4.6 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement 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 the 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 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 estimated costs of 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:-

| | |
|---|---|
| Buildings | 2% |
| Plant and machinery | 6.7% - 20% |
| Forklifts, tools and equipment and production accessories | 10% - 50% |
| Motor vehicles | 10% - 20% |
| Office equipment, furniture and fittings, renovation and electrical installation | 10% - 20% |

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

Investment properties are properties which are owned or right-to-use asset held 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 which are owned are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The right-of-use asset held under a lease contract that meets the definition of investment property is measured initially similarly as other right-of-use assets.

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.

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

4.8 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 the owner-occupied property becomes an investment property, such property shall be accounted for in accordance with the accounting policy for property, plant and equipment up to the date of change in use.

4.9 LEASES

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount has been reduced to zero.

4.10 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 the 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.

4.11 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

4.12 IMPAIRMENT

**(a) Impairment of Financial Assets**

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost and trade receivables.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

**(b) Impairment of Non-financial Assets**

The carrying values of assets, other than those to which MFRS 136 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 an asset is the higher of the asset's fair value less costs to sell and its 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 determines the recoverable amount of the cash-generating unit to which the asset belongs.

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.

4.13 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.

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

4.13 EMPLOYEE BENEFITS (CONT'D)

**(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 (known as "share options").

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

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

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

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

4.14 INCOME TAXES

**(a) Current Tax**

Current tax assets and liabilities are the 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 is 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 embodies in the property over time, rather than through sale.

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

4.14 INCOME TAXES (CONT'D)

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.

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.

4.15 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4.16 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.

4.17 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.

4.18 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 and leasing 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

4.19 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service at a point in time unless one of the following over time criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Sale of Goods

Revenue from sale of goods is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risk of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

4.20 OTHER OPERATING INCOME

**(a) Dividend Income**

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

**(b) Interest Income**

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

**(c) Rental Income**

Rental income is accounted for on a straight-line method over the lease term.

## 5. INVESTMENTS IN SUBSIDIARIES

| | The Company 2021 RM'000 | The Company 2020 RM'000 |
|---|---|---|
| Unquoted shares, at cost | 75,590 | 75,590 |
| Accumulated impairment losses | (48,306) | (48,306) |
| | 27,284 | 27,284 |

The 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 2021 % | 2020 % | Principal Activities |
|---|---|---|---|
| KYM Industries (M) Sdn. Bhd. | 100 | 100 | Manufacturing and sale of corrugated fibre boards and boxes. |
| Anabatic Sdn. Bhd. (1) | 100 | 100 | Property investment. |
| KYM Industries (Penang) Sdn. Bhd. ^(1) | - | 100 | Dormant. |
| Teguh Amalgamated Sdn. Bhd. (1) | 100 | 100 | Property investment. |
| KCP Carton Sdn. Bhd. ^(1) | - | 100 | Dormant. |
| KYM Industries (Johor) Sdn. Bhd. | 100 | 100 | Dormant. |
| Panorama Industries Sdn. Bhd. (2) | 100 | 100 | Dormant. |
| KYM Industries (BP) Sdn. Bhd. | 95 | 95 | Dormant. |
| KYM Industries (Melaka) Sdn. Bhd. | 100 | 100 | Dormant. |
| Polypulp Enterprises Sdn. Bhd. | 100 | 100 | Investment holding. |
| Tegas Consolidated Sdn. Bhd. (3) | 100 | 100 | Investment holding. |
| Harta Makmur Sdn. Bhd. (4) | 100 | 100 | Property investment and development. |
| Teluk Rubiah Resorts Sdn. Bhd. (5) | 100 | 100 | Dormant. |
| Teluk Rubiah Country Club Sdn. Bhd. (5) | 100 | 100 | Dormant. |
| Suria Makmur Development Sdn. Bhd. ^(5) | - | 100 | Dormant. |
| KYM Properties Sdn. Bhd. | 100 | 100 | Property management. |
| KYM Built Sdn. Bhd. ^(6) | - | 100 | Dormant. |
| KYM Development (Perak) Sdn. Bhd. (6) | 100 | 100 | Property investment. |
| KYM Leisure Sdn. Bhd. (6) | 100 | 100 | Dormant. |
| KMG Assets Sdn. Bhd. | 100 | 100 | Providing management services. |

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

The 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 2021 % | 2020 % | Principal Activities |
|---|---|---|---|
| Hasrat Meranti Sdn. Bhd. | 100 | 100 | Investment holding and manufacturing and sale of multi-wall industrial paper bags. |
| Hasrat Meranti (Chemor) Sdn. Bhd. [7] | 100 | 100 | Manufacturing and sale of multi-wall industrial paper bags. |
| Hasrat Meranti (Tapah) Sdn. Bhd. [7] | 100 | 100 | Manufacturing and sale of multi-wall industrial paper bags. |

^ – These subsidiaries have been struck off during the current 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.

Summarised financial information of non-controlling interests has not been presented as the non-controlling interests of the subsidiaries are not individually material to the Group.

## 6. OTHER INVESTMENTS

| | The Group 2021 RM'000 | The Group 2020 RM'000 | The Company 2021 RM'000 | The Company 2020 RM'000 |
|---|---|---|---|---|
| Quoted shares, at fair value | 1 | 1 | - | - |
| Unquoted shares, at fair value | * | * | * | * |
| | 1 | 1 | * | * |

Note:
* represents RM2

## 7. PROPERTY, PLANT AND EQUIPMENT

| The Group | 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 | Total RM'000 |
|---|---|---|---|---|---|---|
| **2021** | | | | | | |
| *Carrying Amount* | | | | | | |
| At 1.2.2020 | 12,729 | 11,927 | 930 | 27 | 625 | 26,238 |
| Additions | - | 81 | 633 | - | 128 | 842 |
| Transfer from right-of-use assets (Note 9) | - | - | - | 165 | - | 165 |
| Depreciation charges for the financial year | (316) | (2,459) | (402) | (67) | (157) | (3,401) |
| At 31.1.2021 | 12,413 | 9,549 | 1,161 | 125 | 596 | 23,844 |

| The Group | Freehold 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 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **2020** | | | | | | | |
| *Carrying Amount* | | | | | | | |
| At 1.2.2019 | 4,460 | 14,714 | 14,039 | 970 | 40 | 714 | 34,937 |
| Additions | - | - | 458 | 383 | - | 121 | 962 |
| Disposal | - | - | (4) | - | - | - | (4) |
| Depreciation charges for the financial year | - | (355) | (2,566) | (423) | (13) | (210) | (3,567) |
| Transfer to investment properties (Note 8) | (4,460) | (1,630) | - | - | - | - | (6,090) |
| At 31.1.2020 | - | 12,729 | 11,927 | 930 | 27 | 625 | 26,238 |

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

| The Group | 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 | Total RM'000 |
|---|---|---|---|---|---|---|
| **2021** | | | | | | |
| At Cost | 15,578 | 33,843 | 5,148 | 1,006 | 6,115 | 61,690 |
| Accumulated Depreciation | (3,165) | (22,963) | (3,987) | (881) | (5,519) | (36,515) |
| Accumulated Impairment | - | (1,331) | - | - | - | (1,331) |
| Carrying Amount | 12,413 | 9,549 | 1,161 | 125 | 596 | 23,844 |
| **2020** | | | | | | |
| At Cost | 15,578 | 33,762 | 4,515 | 409 | 5,987 | 60,251 |
| Accumulated Depreciation | (2,849) | (20,504) | (3,585) | (382) | (5,362) | (32,682) |
| Accumulated Impairment | - | (1,331) | - | - | - | (1,331) |
| Carrying Amount | 12,729 | 11,927 | 930 | 27 | 625 | 26,238 |

Note:
\# Other assets consist of office equipment, furniture and fittings, renovation and electrical installation.

| The Company | Motor Vehicles RM'000 | Other Assets* RM'000 | Total RM'000 |
|---|---|---|---|
| **2021** | | | |
| *Carrying Amount* | | | |
| At 1.2.2020 | ^ | 16 | 16 |
| Depreciation charges for the financial year | - | (10) | (10) |
| At 31.1.2021 | ^ | 6 | 6 |
| **2020** | | | |
| *Carrying Amount* | | | |
| At 1.2.2019 | ^ | 33 | 33 |
| Depreciation charges for the financial year | - | (17) | (17) |
| At 31.1.2020 | ^ | 16 | 16 |

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

| | Motor Vehicles RM'000 | Other Assets* RM'000 | Total RM'000 |
|---|---|---|---|
| **The Company** | | | |
| **2021** | | | |
| At Cost | 274 | 1,039 | 1,313 |
| Accumulated Depreciation | (274) | (1,033) | (1,307) |
| Carrying Amount | ^ | 6 | 6 |
| **2020** | | | |
| At Cost | 274 | 1,039 | 1,313 |
| Accumulated Depreciation | (274) | (1,023) | (1,297) |
| Carrying Amount | ^ | 16 | 16 |

Notes:
* Other assets consist of office equipment, furniture and fittings, renovation and electrical installation.
^ represents RM1.

The buildings of the Group amounting to RM8,354,682 (2020 - RM8,574,456) have been pledged to financial institutions as security for banking facilities granted to the Group as disclosed in Note 27 to the financial statements.

## 8. INVESTMENT PROPERTIES

| | The Group 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| At fair value:- | | |
| At 1 February 2020/2019 | 43,108 | 41,520 |
| Gain/(Loss) on changes in fair value | 310 | (4,502) |
| Transfer from property, plant and equipment (Note 7) | - | 6,090 |
| At 31 January | 43,418 | 43,108 |

(a) The investment properties comprise the following:-

| | The Group 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| Freehold land | 4,460 | 4,460 |
| Leasehold land | 34,820 | 34,820 |
| Building | 4,138 | 3,828 |
| | 43,418 | 43,108 |

## 8. INVESTMENT PROPERTIES (CONT'D)

(b) Included in the total carrying amount of investment properties at the end of the reporting period are some properties pledged to financial institutions for credit facilities granted to certain subsidiaries as follows:-

| | The Group | |
|---|---|---|
| | **2021 RM'000** | **2020 RM'000** |
| Investment properties | 20,638 | 20,328 |

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

| | The Group | |
|---|---|---|
| | **2021 RM'000** | **2020 RM'000** |
| Rental income | 492 | 411 |
| Direct operating expenses from the investment properties that did not generate income | 349 | 322 |

(d) The investment properties of the Group are leased to a customer under operating leases with rentals payable monthly.

The leases contain initial non-cancellable periods ranging from 2 to 3 years and an option that is exercisable by the customer to extend the leases for an average of 1.5 years.

As at the reporting date, the future minimum rentals receivable under the non-cancellable operating leases are as follows:-

| | The Group | |
|---|---|---|
| | **2021 RM'000** | **2020 RM'000** |
| Within 1 year | 145 | 492 |
| Between 1 and 2 years | - | 145 |
| | 145 | 637 |

(e) 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 level 2 during the financial year.

## 9. RIGHT-OF-USE ASSETS

| The Group | Leasehold Land RM'000 | Office Building RM'000 | Signage RM'000 | Plant and Machinery RM'000 | Motor Vehicles RM'000 | Factory RM'000 | Warehouse RM'000 | Forklifts RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **2021** | | | | | | | | | |
| *Carrying Amount* | | | | | | | | | |
| At 1.2.2020 | 7,867 | 2,611 | 762 | 20,626 | 458 | 9,031 | 7,067 | 95 | 48,517 |
| Addition | - | - | - | - | - | - | - | 73 | 73 |
| Depreciation charges for the financial year | (118) | (298) | (87) | (1,557) | (77) | (815) | (444) | (49) | (3,445) |
| Transfer upon exercise of purchase option (Note 7) | - | - | - | - | (165) | - | - | - | (165) |
| At 31.1.2021 | 7,749 | 2,313 | 675 | 19,069 | 216 | 8,216 | 6,623 | 119 | 44,980 |
| **2020** | | | | | | | | | |
| *Carrying Amount* | | | | | | | | | |
| At 1.2.2019 | 7,985 | - | - | 22,183 | 662 | 9,846 | 7,511 | 137 | 48,324 |
| Additions | - | 2,685 | 784 | - | - | - | - | - | 3,469 |
| Disposal | - | - | - | - | (20) | - | - | - | (20) |
| Depreciation charges for the financial year | (118) | (74) | (22) | (1,557) | (184) | (815) | (444) | (42) | (3,256) |
| At 31.1.2020 | 7,867 | 2,611 | 762 | 20,626 | 458 | 9,031 | 7,067 | 95 | 48,517 |

## 9. RIGHT-OF-USE ASSETS (CONT'D)

| | Office Building RM'000 | Signage RM'000 | Total RM'000 |
|---|---|---|---|
| **The Company** | | | |
| **2021** | | | |
| *Carrying Amount* | | | |
| At 1.2.2020 | 2,611 | 762 | 3,373 |
| Depreciation charges for the financial year | (298) | (87) | (385) |
| At 31.1.2021 | 2,313 | 675 | 2,988 |
| **2020** | | | |
| *Carrying Amount* | | | |
| At 1.2.2019 | - | - | - |
| Additions | 2,685 | 784 | 3,469 |
| Depreciation charges for the financial year | (74) | (22) | (96) |
| At 31.1.2020 | 2,611 | 762 | 3,373 |

| | The Group 2021 RM'000 | The Group 2020 RM'000 | The Company 2021 RM'000 | The Company 2020 RM'000 |
|---|---|---|---|---|
| Analysed by:- | | | | |
| Cost | 53,883 | 54,407 | 3,469 | 3,469 |
| Accumulated depreciation | (8,903) | (5,890) | (481) | (96) |
| | 44,980 | 48,517 | 2,988 | 3,373 |

The Group and the Company have leases certain pieces of leasehold land, office building, plant and machinery, motor vehicles, factory, warehouse and forklifts of which the leasing activities are summarised below:-

(i) Leasehold land — The Group has leased certain pieces of leasehold land for lease periods ranging from 45 to 91 years. Leasehold land amounting to RM5,844,069 (2020 - RM5,940,104) have been pledged to financial institutions as security for banking facilities.

(ii) Office building and signage — The Group has leased an office building and signage for 6 years, with an option to renew the lease for another 3 years.

(iii) Plant and machinery — The plant and machinery have been leased under hire purchase arrangement with lease term of 5 years. The lease is secured by the Group's fixed deposits with licensed banks and corporate guarantee of the Company and a subsidiary. The Group has an option to purchase the asset at the expiry of the lease period at an insignificant amount.

(iv) Motor vehicles — The Group has leased certain motor vehicles under hire purchase arrangements. The Group has an option to purchase the asset at the expiry of the lease period at an insignificant amount.

(v) Factory and warehouse — The Group has leased a factory and a warehouse for 3 years, with options to renew the leases up to maximum cumulative period of 15 years.

(vi) Forklifts — The Group has leased 2 forklifts for 4 years.

In current financial year, the Group has leased an additional forklift under hire purchase arrangement. The Group has an option to purchase the asset at the expiry of the lease period at an insignificant amount.

## 10. INTANGIBLE ASSET

| | The Group 2021 RM'000 | 2020 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 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:-

| | 2021 % | 2020 % |
|---|---|---|
| Gross margin | 10 - 12 | 10 |
| Growth rate | 5 - 21.9 | 5 |
| Discount rate | 7.11 | 4.21 |

| | | |
|---|---|---|
| (i) | Budgeted gross profit margin | The basis used to determine the value assigned to the budgeted gross profit margin is the average gross profit margin based on past performance and its expectations of market development. |
| (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 there is no reasonably possible change in the above key assumptions applied that is likely to materially cause the cash-generating unit carrying amount to exceed its recoverable amount.

## 11. INVENTORIES

| | The Group 2021 RM'000 | 2020 RM'000 |
|---|---|---|
| Raw materials | 9,140 | 11,162 |
| Work-in-progress | 232 | 229 |
| Finished goods | 4,033 | 3,957 |
| Consumables | 1,820 | 1,791 |
| | 15,225 | 17,139 |
| Recognised in profit or loss:- | | |
| Inventories recognised as cost of sales | 46,938 | 67,052 |
| Inventories written down | 44 | - |

## 12. TRADE RECEIVABLES

| | The Group | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| Trade receivables | 17,377 | 17,651 |
| Allowance for impairment losses | (300) | (781) |
| | 17,077 | 16,870 |
| Allowance for impairment losses:- | | |
| At 1 February 2020/2019 | (781) | (781) |
| Addition during the financial year (Note 36) | (298) | - |
| Written off during the financial year | 779 | - |
| At 31 January | (300) | (781) |

The Group's normal trade credit terms range from 14 to 90 days (2020 - 14 to 180 days).

## 13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Other receivables:- | | | | |
| Third parties | 177 | 179 | 62 | 62 |
| Advances to staffs | - | 46 | - | - |
| Goods and services tax recoverable | 25 | 195 | - | - |
| | 202 | 420 | 62 | 62 |
| Deposits | 1,241 | 1,116 | 283 | 132 |
| Prepayments | 336 | 514 | 8 | 26 |
| | 1,779 | 2,050 | 353 | 220 |

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

| | The Company | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| Amount owing by subsidiaries | 51,711 | 52,032 |
| Allowance for impairment losses | (23,860) | (23,616) |
| | 27,851 | 28,416 |
| Allowance for impairment losses:- | | |
| At 1 February 2020/2019 | (23,616) | (25,264) |
| Addition during the financial year (Note 36) | (244) | (2,644) |
| Written off during the financial year | - | 4,292 |
| At 31 January | (23,860) | (23,616) |
| Amount owing to subsidiaries | (28,445) | (28,423) |

(a) Included in the amount owing to subsidiaries is an interest-bearing loan of RM400,000 (2020 - RM500,000) which bore an effective interest rate of 6.03% (2020 - 6.03%) per annum at the end of the reporting period.

(b) The amounts owing are non-trade in nature, unsecured, interest-free and repayable on demand. The amounts owing are to be settled in cash.

## 15. SHORT-TERM INVESTMENT

| | The Group/The Company | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| Wholesale money market fund, at fair value | 12 | 12 |
| Market value of short-term investment | 12 | 12 |

## 16. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits with licensed banks of the Group at the end of the reporting period have been pledged to licensed banks for banking facilities granted to certain subsidiaries.

The weighted average effective interest rate of the fixed deposits at the end of the reporting period was 1.70% (2020 - 3.05%) per annum. The fixed deposits have maturity periods ranging from 1 month to 3 years (2020 - 1 month to 3 years).

## 17. SHARE CAPITAL

| | The Group/The Company | | | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | Number of Shares ('000) | | RM'000 | RM'000 |
| **Issued and Fully Paid-Up** | | | | |
| Ordinary Shares | 149,890 | 149,890 | 110,381 | 110,381 |

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. The ordinary shares have no par value.

## 18. EMPLOYEE SHARE OPTION RESERVE

The employee 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 Employee Share Option Scheme of the Company ("ESOS") is governed by the ESOS By-Laws and was approved by shareholders on 13 April 2010. The ESOS then was 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 expired on 15 May 2020.

The main features of the ESOS were 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.

**18. EMPLOYEE SHARE OPTION RESERVE (CONT'D)**

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

| | | Number of Options over Ordinary Shares | | | |
|---|---|---|---|---|---|
| **Date of Offer** | **Exercise Price** | **At 1.2.2020** | **Granted** | **Lapsed** | **At 31.1.2021** |
| 26 May 2010 | RM0.90 | 2,843,000 | - | (2,843,000) | - |

The options which lapsed during the financial year were due to the expiry of ESOS on 15 May 2020.

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 were 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 (%) | - |

**19. REVALUATION RESERVE**

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

**20. TERM LOANS**

| | The Group | |
|---|---|---|
| | **2021 RM'000** | **2020 RM'000** |
| Current liabilities (Note 27) | 261 | 247 |
| Non-current liabilities | 498 | 609 |
| | 759 | 856 |

(i) The term loans of the Group at the end of the reporting period bore effective interest rates ranging from 4.22% to 4.72% (2020 - 5.60% to 6.10%) per annum.

(ii) The term loans of the Group are secured in the same manner as the bills payable disclosed in Note 27 to the financial statements.

## 21. LEASE LIABILITIES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| At 1 February 2020/2019 | 31,430 | 32,793 | 3,519 | - |
| Additions | 66 | 3,469 | - | 3,469 |
| Interest expense recognised in profit or loss (Note 35) | 1,542 | 1,694 | 199 | 50 |
| Repayment of principal | (3,159) | (4,882) | (181) | - |
| Repayment of interest expense | (1,542) | (1,644) | (199) | - |
| At 31 January | 28,337 | 31,430 | 3,338 | 3,519 |
| Analysed by:- | | | | |
| Current liabilities | 5,242 | 5,064 | 323 | 181 |
| Non-current liabilities | 23,095 | 26,366 | 3,015 | 3,338 |
| | 28,337 | 31,430 | 3,338 | 3,519 |

Included in the lease liabilities of the Group is an amount of RM9,112,598 (2020 - RM11,030,106) at floating interest rate which is secured by a pledge of the fixed deposits of a subsidiary and a corporate guarantee of the Company.

## 22. DEFERRED TAX LIABILITIES

| | The Group | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| At 1 February 2020/2019 | 9,671 | 10,321 |
| Recognised in profit or loss (Note 38) | (634) | (650) |
| At 31 January | 9,037 | 9,671 |

The deferred tax consists of the tax effects of the following items:-

| | The Group | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| Deferred tax liabilities:- | | |
| Accelerated capital allowances | 3,344 | 3,608 |
| Revaluation arising from deemed cost property | 994 | 1,014 |
| Revaluation arising from deemed cost plant and machinery | 118 | 245 |
| Fair value changes of investment properties | 6,049 | 6,063 |
| | 10,505 | 10,930 |
| Deferred tax assets:- | | |
| Allowance for impairment losses | (396) | (324) |
| Accrual for bonus | - | (53) |
| Unutilised tax losses | (230) | (468) |
| Unabsorbed capital allowances | (842) | (414) |
| | (1,468) | (1,259) |
| | 9,037 | 9,671 |

## 23. TRADE PAYABLES

The normal credit terms of trade payables range from 30 to 90 days (2020 - 30 to 90 days).

## 24. OTHER PAYABLES AND ACCRUALS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Other payables:- | | | | |
| Third parties | 2,720 | 2,894 | 236 | 282 |
| Sales and service tax payable | 558 | 453 | - | - |
| | 3,278 | 3,347 | 236 | 282 |
| Deposits received | 151 | 151 | - | - |
| Accruals | 3,252 | 2,712 | 313 | 219 |
| | 6,681 | 6,210 | 549 | 501 |

## 25. AMOUNT OWING TO RELATED PARTIES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Amount owing to related parties | 1,430 | 529 | 881 | 364 |

(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 amount owing is non-trade in nature, unsecured interest-free advances and payments made on behalf.

(c) The amount owing is repayable on demand and is to be settled in cash.

## 26. 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.

## 27. SHORT-TERM BORROWINGS

| | The Group | |
|---|---|---|
| | 2021 | 2020 |
| | RM'000 | RM'000 |
| Secured:- | | |
| Revolving credit | 400 | 1,000 |
| Bankers' acceptances | 1,256 | 871 |
| Bills payable | 18,230 | 12,645 |
| Term loans (Note 20) | 261 | 247 |
| | 20,147 | 14,763 |

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 and a subsidiary.

## 28. BANK OVERDRAFTS

The bank overdrafts are secured in the same manner as the bills payable disclosed in Note 27 to the financial statements except for an amount of RM3,751,917 (2020 - RM3,979,084) which is additionally secured by a pledge of the fixed deposits of a subsidiary.

## 29. REVENUE

The revenue represents sales of goods which was recognised at a point in time.

The information on the disaggregation of revenue by geographical market is disclosed in Note 42 to the financial statements.

## 30. COST OF SALES

| | The Group | |
|---|---|---|
| | 2021 | 2020 |
| | RM'000 | RM'000 |
| Included in cost of sales are:- | | |
| Depreciation: | | |
| - property, plant and equipment | 3,115 | 3,326 |
| - right-of-use assets | 2,886 | 2,879 |
| Inventories written down | 44 | - |
| Inventories written off | 6 | 1,711 |
| Lease expenses: | | |
| - short-term leases | 35 | 36 |
| Staff costs: | | |
| - salaries and other benefits | 4,612 | 5,583 |
| - defined contribution plan | 421 | 411 |

## 31. OTHER INCOME

| | The Group 2021 RM'000 | The Group 2020 RM'000 | The Company 2021 RM'000 | The Company 2020 RM'000 |
|---|---|---|---|---|
| Included in other income are:- | | | | |
| Bad debts recovered | 12 | 4 | - | - |
| Dividend income | - | * | - | - |
| Fair value gain on quoted investment | # | - | - | - |
| Fair value gain on investment properties | 310 | - | - | - |
| Gain on disposal of property, plant and equipment | - | 12 | - | - |
| Gain on disposal of right-of-use assets | - | 38 | - | - |
| Interest income | 16 | 36 | ^ | 5 |
| Realised gain on foreign exchange | 16 | - | - | - |
| Rental income | 492 | 411 | - | - |
| Waiver of amount owing to a subsidiary | - | - | - | 510 |

Notes:
* represents RM39
# represents RM134
^ represents RM292

## 32. SELLING AND DISTRIBUTION EXPENSES

| | The Group 2021 RM'000 | The Group 2020 RM'000 |
|---|---|---|
| Included in selling and distribution expenses are:- | | |
| Staff costs: | | |
| - salaries and other benefits | 864 | 1,015 |
| - defined contribution plan | 101 | 92 |
| Carriage outwards | 2,183 | 2,863 |

## 33. ADMINISTRATIVE EXPENSES

| | The Group 2021 RM'000 | The Group 2020 RM'000 | The Company 2021 RM'000 | The Company 2020 RM'000 |
|---|---|---|---|---|
| Included in administrative expenses are:- | | | | |
| Auditors' remuneration:- | | | | |
| - audit fees: | | | | |
| - current financial year | 189 | 195 | 49 | 50 |
| - underprovision in the previous financial year | 2 | 9 | - | - |
| - non-audit fees | 6 | 6 | 6 | 6 |
| Lease expenses: | | | | |
| - short term leases | 23 | 57 | - | 169 |
| - low-value assets | 23 | 21 | 20 | 20 |
| Staff costs: | | | | |
| - salaries and other benefits | 2,138 | 2,642 | - | - |
| - defined contribution plan | 267 | 340 | - | - |

## 34. OTHER EXPENSES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Bad debts written off | 29 | 26 | 4 | 22 |
| Depreciation: | | | | |
| - plant, property and equipment | 286 | 241 | 10 | 17 |
| - right-of-use assets | 559 | 377 | 385 | 96 |
| Deposits written off | 25 | - | - | - |
| Fair value loss on investment properties | - | 4,502 | - | - |
| Fair value loss on quoted investment | - | * | - | - |
| Realised loss on foreign exchange | 46 | 75 | - | - |
| | 945 | 5,221 | 399 | 135 |

Notes:
* represents RM23

## 35. FINANCE COSTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Interest expenses on: | | | | |
| - term loans | 109 | 133 | - | - |
| - overdrafts | 328 | 458 | - | - |
| - bankers' acceptances | 34 | 15 | - | - |
| - bills payable | 411 | 585 | - | - |
| - lease liabilities | 1,542 | 1,694 | 199 | 50 |
| - amount owing to a subsidiary | - | - | 29 | 36 |
| - others | 7 | 6 | - | - |
| | 2,431 | 2,891 | 228 | 86 |

## 36. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Impairment losses:- | | | | |
| - trade receivables (Note 12) | 298 | - | - | - |
| - amount owing by subsidiaries (Note 14) | - | - | 244 | 2,644 |
| | 298 | - | 244 | 2,644 |

## 37. 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 | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Directors of the Company | | | | |
| Non-Executive directors: | | | | |
| - fee | 104 | 104 | 104 | 104 |
| Executive directors: | | | | |
| - salaries and other benefits | 444 | 466 | - | - |
| - defined contribution plan | 53 | 52 | - | - |
| | 497 | 518 | - | - |
| | 601 | 622 | 104 | 104 |
| Directors of the Subsidiaries | | | | |
| Executive directors: | | | | |
| - salaries and other benefits | 962 | 1,043 | - | - |
| - defined contribution plan | 143 | 151 | - | - |
| | 1,105 | 1,194 | - | - |
| | 1,706 | 1,816 | 104 | 104 |

The estimated monetary value of benefits-in-kind provided by the Group to the directors of the subsidiaries were RM16,123 (2020 - RM22,043).

## 38. INCOME TAX EXPENSE

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Current tax: | | | | |
| - for the current financial year | 199 | 303 | - | - |
| - underprovision in the previous financial year | 1 | 67 | - | - |
| | 200 | 370 | - | - |
| Deferred tax (Note 22): | | | | |
| - origination and reversal of temporary differences | (637) | (599) | - | - |
| - under/(over)provision in the previous financial year | 3 | (51) | - | - |
| | (634) | (650) | - | - |
| | (434) | (280) | - | - |

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

A reconciliation of income tax expense applicable to the loss before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Loss before taxation | (1,496) | (9,078) | (1,224) | (2,966) |
| Tax at the statutory tax rate of 24% | (359) | (2,179) | (294) | (712) |
| Tax effects of:- | | | | |
| Non-taxable income | ^ | (1) | ^ | (1) |
| Non-deductible expenses | 720 | 2,258 | 294 | 713 |
| Deferred tax assets not recognised during the financial year | 24 | 88 | - | - |
| Utilisation of deferred tax assets previously not recognised | (823) | (462) | - | - |
| Under/(Over)provision in the previous financial year: | | | | |
| - current tax | 1 | 67 | - | - |
| - deferred tax | 3 | (51) | - | - |
| Income tax expense for the financial year | (434) | (280) | - | - |

Notes:
^ represents (RM70)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2020 - 24%) of the estimated assessable profit for the financial year.

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 | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Accelerated capital allowances | (3,634) | (3,514) | - | - |
| Unabsorbed capital allowances | 12,055 | 13,984 | 836 | 836 |
| Unabsorbed reinvestment allowances | 7,574 | 7,574 | - | - |
| Unutilised tax losses | 33,510 | 34,834 | 1,292 | 1,292 |
| Others | 46 | 2 | - | - |
| | 49,551 | 52,880 | 2,128 | 2,128 |

The unutilised tax losses and unabsorbed reinvestment allowances are allowed to be utilised for 7 consecutive years of assessment while unabsorbed capital allowances are allowed to be carried forward indefinitely.

## 39. LOSS PER SHARE

Basic 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.

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

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

| | The Group | |
|---|---|---|
| | 2021 | 2020 |
| Loss attributable to owners of the Company (RM'000) | (1,062) | (8,802) |
| Weighted average number of ordinary shares ('000) | 149,890 | 149,890 |
| Basic loss per share (sen) | (0.71) | (5.87) |
| Diluted loss per share (sen) | (0.71) | (5.87) |

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

## 40. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of property, plant and equipment and the addition of right-of-use assets is as follows:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| **Property, plant and equipment** | | | | |
| Cost of property, plant and equipment purchased (Note 7) | 842 | 962 | - | - |
| **Right-of-use assets** | | | | |
| Cost of right-of-use assets acquired (Note 9) | 73 | 3,469 | - | 3,469 |
| Less: Addition of new lease liabilities (Note 40(b)) | (66) | (3,469) | - | (3,469) |
| | 7 | - | - | - |

**40. CASH FLOW INFORMATION (CONT'D)**

(b) The reconciliations of liabilities arising from financing activities are as follows:-

| The Group | Lease Liabilities RM'000 | Term Loans RM'000 | Revolving Credit RM'000 | Bankers' Acceptances RM'000 | Bills Payable RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **2021** | | | | | | |
| At 1 February 2020 | 31,430 | 856 | 1,000 | 871 | 12,645 | 46,802 |
| Changes in Financing Cash Flows | | | | | | |
| Proceeds from drawdown | - | - | 700 | 3,787 | 39,455 | 43,942 |
| Repayment of principal | (3,159) | (97) | (1,300) | (3,402) | (33,870) | (41,828) |
| | (3,159) | (97) | (600) | 385 | 5,585 | 2,114 |
| Non-cash Changes | | | | | | |
| Acquisition of new leases (Note 40(a)) | 66 | - | - | - | - | 66 |
| At 31 January | 28,337 | 759 | 400 | 1,256 | 18,230 | 48,982 |
| **2020** | | | | | | |
| At 1 February 2019 | 32,793 | 1,092 | 1,100 | 453 | 14,876 | 50,314 |
| Changes in Financing Cash Flows | | | | | | |
| Proceeds from drawdown | - | - | 500 | 1,022 | 57,346 | 58,868 |
| Repayment of principal | (4,882) | (236) | (600) | (604) | (59,577) | (65,899) |
| | (4,882) | (236) | (100) | 418 | (2,231) | (7,031) |
| Non-cash Changes | | | | | | |
| Acquisition of new leases (Note 40(a)) | 3,469 | - | - | - | - | 3,469 |
| Interest expense recognised in profit or loss (Note 35) | 50 | - | - | - | - | 50 |
| | 3,519 | - | - | - | - | 3,519 |
| At 31 January | 31,430 | 856 | 1,000 | 871 | 12,645 | 46,802 |

**40. CASH FLOW INFORMATION (CONT'D)**

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

| The Company | Lease Liabilities RM'000 | Amount Owing to a Subsidiary RM'000 | Total RM'000 |
|---|---|---|---|
| **2021** | | | |
| At 1 February 2020 | 3,519 | 500 | 4,019 |
| Changes in Financing Cash Flows | | | |
| Cash flows | - | (100) | (100) |
| Repayment of principal | (181) | - | (181) |
| At 31 January | 3,338 | 400 | 3,738 |
| **2020** | | | |
| At 1 February 2019 | - | 1,100 | 1,100 |
| Changes in Financing Cash Flows | | | |
| Cash flows | - | (600) | (600) |
| Non-cash Changes | | | |
| Acquisition of new leases (Note 40(a)) | 3,469 | - | 3,469 |
| Interest expense recognised in profit or loss (Note 35) | 50 | - | 50 |
| At 31 January | 3,519 | 500 | 4,019 |

(c) The total cash outflows for leases as a lessee are as follows:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Payment of short-term leases | 58 | 93 | - | 169 |
| Payment of low-value assets | 23 | 21 | 20 | 20 |
| Interest paid on lease liabilities | 1,542 | 1,644 | 199 | - |
| Payment of lease liabilities | 3,159 | 4,882 | 181 | - |
| | 4,782 | 6,640 | 400 | 189 |

## 40. CASH FLOW INFORMATION (CONT'D)

(d) The cash and cash equivalents comprise the following:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Fixed deposits with licensed banks | 1,348 | 1,332 | - | - |
| Short-term investment | 12 | 12 | 12 | 12 |
| Cash and bank balances | 8,533 | 3,970 | 40 | 31 |
| Bank overdrafts | (3,752) | (6,831) | - | - |
| | 6,141 | (1,517) | 52 | 43 |
| Less:- | | | | |
| Fixed deposits pledged to licensed banks | (1,348) | (1,332) | - | - |
| | 4,793 | (2,849) | 52 | 43 |

## 41. RELATED PARTY DISCLOSURES

### (a) 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.

### (b) 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:-

(i) Subsidiaries

| | The Company | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| Interest expense charged by a subsidiary<br>- KYM Industries (M) Sdn. Bhd. | 29 | 36 |
| Rental charged by a subsidiary<br>- Teguh Amalgamated Sdn. Bhd. | - | 144 |

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

### (b) 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):-

(ii) Key management personnel

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group and of the Company.

The key management personnel compensation during the financial year are as follows:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| Short-term employee benefits | 1,951 | 2,065 | 104 | 104 |

The estimated monetary value of benefits-in-kind provided by the Group to the directors of the subsidiaries were RM16,123 (2020 - RM22,043).

(iii) Other related parties

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021<br>RM'000 | 2020<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000 |
| Rental charged by: | | | | |
| - Tzel Properties Sdn. Bhd. *@ | - | 25 | - | 25 |
| - Tzel Assets Sdn. Bhd. *#@ | 1,838 | 1,834 | - | - |
| - TSM Towers Sdn. Bhd. *@ | 379 | - | 379 | - |
| Support fee charged to: | | | | |
| - Symphony Straits Sdn. Bhd. *@ | 162 | 261 | - | - |
| Maintenance fee charged by: | | | | |
| - Uni Residences Sdn Bhd * | 4 | 4 | - | - |

* - 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.

## 42. 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 Group's reportable segments:-

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

Investment holding segment - 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 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 other than tax-related assets, 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 lease liabilities other than tax-related liabilities.

SEGMENT CAPITAL EXPENDITURE

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

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

| 2021 | Manufacturing RM'000 | Investment Holding RM'000 | Property RM'000 | Others RM'000 | Group RM'000 |
|---|---|---|---|---|---|
| Revenue | | | | | |
| External revenue | 70,253 | - | - | - | 70,253 |
| Inter-segment revenue | - | - | 36 | 1,179 | 1,215 |
| | 70,253 | - | 36 | 1,179 | 71,468 |
| Adjustments and eliminations | | | | | (1,215) |
| Consolidated revenue | | | | | 70,253 |
| Results | | | | | |
| Results before following adjustments | 9,837 | (336) | (716) | (1,032) | 7,753 |
| Impairment of trade receivables | (298) | - | - | - | (298) |
| Interest income | 16 | - | - | - | 16 |
| Interest expense | (2,203) | (228) | - | - | (2,431) |
| Depreciation of property, plant and equipment | (3,362) | (10) | (26) | (3) | (3,401) |
| Depreciation of right-of-use assets | (2,990) | (385) | (70) | - | (3,445) |
| Fair value gain on investment properties | - | - | 310 | - | 310 |
| Profit/(Loss) before taxation | 1,000 | (959) | (502) | (1,035) | (1,496) |
| Income tax expense | | | | | 434 |
| Consolidated loss after taxation | | | | | (1,062) |
| Assets | | | | | |
| Segment assets | 105,344 | 8,428 | 46,954 | 158 | 160,884 |
| Unallocated asset:- | | | | | |
| Current tax assets | | | | | 1,159 |
| Consolidated total assets | | | | | 162,043 |
| Liabilities | | | | | |
| Segment liabilities | 60,358 | 4,777 | 2,636 | 528 | 68,299 |
| Unallocated liabilities:- | | | | | |
| Deferred tax liabilities | | | | | 9,037 |
| Consolidated total liabilities | | | | | 77,336 |
| Other Segment Items | | | | | |
| Non-current assets other than financial instruments: | | | | | |
| Addition on: | | | | | |
| - Property, plant and equipment | 842 | - | - | - | 842 |
| - Right-of-use assets | 73 | - | - | - | 73 |
| | 915 | - | - | - | 915 |

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

| 2020 | Manufacturing RM'000 | Investment Holding RM'000 | Property RM'000 | Others RM'000 | Group RM'000 |
|---|---|---|---|---|---|
| Revenue | | | | | |
| External revenue | 90,988 | - | - | - | 90,988 |
| Inter-segment revenue | - | - | 180 | 1,789 | 1,969 |
| | 90,988 | - | 180 | 1,789 | 92,957 |
| Adjustments and eliminations | | | | | (1,969) |
| Consolidated revenue | | | | | 90,988 |
| Results | | | | | |
| Results before following adjustments | 7,476 | (449) | (720) | (1,205) | 5,102 |
| Interest income | 31 | 5 | - | - | 36 |
| Interest expense | (2,801) | (86) | (4) | - | (2,891) |
| Depreciation of property, plant and equipment | (3,482) | (17) | (65) | (3) | (3,567) |
| Depreciation of right-of-use assets | (3,076) | (96) | (84) | - | (3,256) |
| Fair value loss on investment properties | (102) | - | (4,400) | - | (4,502) |
| Loss before taxation | (1,954) | (643) | (5,273) | (1,208) | (9,078) |
| Income tax expense | | | | | 280 |
| Consolidated loss after taxation | | | | | (8,798) |
| Assets | | | | | |
| Segment assets | 108,037 | 8,683 | 46,854 | 330 | 163,904 |
| Unallocated asset:- | | | | | |
| Current tax assets | | | | | 1,518 |
| Consolidated total assets | | | | | 165,422 |
| Liabilities | | | | | |
| Segment liabilities | 62,988 | 4,392 | 2,349 | 253 | 69,982 |
| Unallocated liabilities:- | | | | | |
| Deferred tax liabilities | | | | | 9,671 |
| Consolidated total liabilities | | | | | 79,653 |
| Other Segment Items | | | | | |
| Non-current assets other than financial instruments: | | | | | |
| Addition on: | | | | | |
| - Property, plant and equipment | 954 | - | - | 8 | 962 |
| - Right-of-use assets | - | 3,469 | - | - | 3,469 |
| | 954 | 3,469 | - | 8 | 4,431 |

## 43. 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.

| | Revenue | | Non-Current Assets Other Than Financial Instruments | |
|---|---|---|---|---|
| **Geographical Information** | **2021 RM'000** | **2020 RM'000** | **2021 RM'000** | **2020 RM'000** |
| Malaysia | 49,467 | 51,490 | 116,909 | 122,530 |
| Singapore | 5,761 | 8,313 | - | - |
| Mauritius | 192 | 143 | - | - |
| Thailand | 4,995 | 6,391 | - | - |
| Philippines | 331 | 239 | - | - |
| Brunei | - | 258 | - | - |
| Indonesia | 7,627 | 20,931 | - | - |
| Vietnam | 58 | 64 | - | - |
| India | 1,822 | 2,319 | - | - |
| Sweden | - | 840 | - | - |
| | 70,253 | 90,988 | 116,909 | 122,530 |

**Major Customers**

Revenue from two (2020 - one) major customers, with revenue equal to or more than 10% of the Group's revenue, amounted to RM14,628,647 (2020 - RM20,534,239) arising from sales by the manufacturing segment.

## 44. CAPITAL COMMITMENTS

| | The Group | |
|---|---|---|
| | **2021 RM'000** | **2020 RM'000** |
| Purchase of property, plant and equipment | - | 335 |

## 45. 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.

### 45.1 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 transactions and balances that are denominated in foreign currencies. The currencies giving rise to this risk are primarily United States Dollar, Singapore Dollar, Euro 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** | **Ringgit Malaysia RM'000** | **Total RM'000** |
|---|---|---|---|---|---|
| **2021** | | | | | |
| Financial Assets | | | | | |
| Other investments | - | - | - | 1 | 1 |
| Trade receivables | 31 | 1,215 | - | 15,831 | 17,077 |
| Other receivables | - | - | - | 177 | 177 |
| Short-term investment | - | - | - | 12 | 12 |
| Fixed deposits with licensed banks | - | - | - | 1,348 | 1,348 |
| Cash and bank balances | 659 | 1 | - | 7,873 | 8,533 |
| | 690 | 1,216 | - | 25,242 | 27,148 |
| Financial Liabilities | | | | | |
| Lease liabilities | - | - | - | 28,337 | 28,337 |
| Term loans | - | - | - | 759 | 759 |
| Trade payables | 2,031 | - | 2,166 | 3,180 | 7,377 |
| Other payables and accruals | - | - | 221 | 5,751 | 5,972 |
| Amount owing to related parties | - | - | - | 1,430 | 1,430 |
| Amount owing to a director | - | - | - | 77 | 77 |
| Revolving credit | - | - | - | 400 | 400 |
| Bills payable | 5,801 | - | 6,330 | 6,099 | 18,230 |
| Bankers' acceptances | - | - | - | 1,256 | 1,256 |
| Bank overdrafts | - | - | - | 3,752 | 3,752 |
| | 7,832 | - | 8,717 | 51,041 | 67,590 |
| Net financial (liabilities)/assets | (7,142) | 1,216 | (8,717) | (25,799) | (40,442) |
| Less:<br>Net financial liabilities denominated in the respective entities' functional currencies | - | - | - | 25,799 | 25,799 |
| **Currency Exposure** | (7,142) | 1,216 | (8,717) | - | (14,643) |

## 45. FINANCIAL INSTRUMENTS (CONT'D)

45.1 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 |
|---|---|---|---|---|---|---|
| **2020** | | | | | | |
| Financial Assets | | | | | | |
| Other investments | - | - | - | - | 1 | 1 |
| Trade receivables | 3,268 | 1,776 | - | 156 | 11,670 | 16,870 |
| Other receivables | - | - | - | - | 179 | 179 |
| Short-term investment | - | - | - | - | 12 | 12 |
| Fixed deposits with licensed banks | - | - | - | - | 1,332 | 1,332 |
| Cash and bank balances | 3,084 | - | - | - | 886 | 3,970 |
| | 6,352 | 1,776 | - | 156 | 14,080 | 22,364 |
| Financial Liabilities | | | | | | |
| Lease liabilities | - | - | - | - | 31,430 | 31,430 |
| Term loans | - | - | - | - | 856 | 856 |
| Trade payables | 4,977 | - | 1,542 | - | 3,014 | 9,533 |
| Other payables and accruals | - | - | 96 | - | 5,510 | 5,606 |
| Amount owing to related parties | - | - | - | - | 529 | 529 |
| Amount owing to a director | - | - | - | - | 77 | 77 |
| Revolving credit | - | - | - | - | 1,000 | 1,000 |
| Bills payable | 3,076 | - | 2,207 | - | 7,362 | 12,645 |
| Bankers' acceptances | - | - | - | - | 871 | 871 |
| Bank overdrafts | - | - | - | - | 6,831 | 6,831 |
| | 8,053 | - | 3,845 | - | 57,480 | 69,378 |
| Net financial (liabilities)/ assets | (1,701) | 1,776 | (3,845) | 156 | (43,400) | (47,014) |
| Less: Net financial liabilities denominated in the respective entities' functional currencies | - | - | - | - | 43,400 | 43,400 |
| **Currency Exposure** | (1,701) | 1,776 | (3,845) | 156 | - | (3,614) |

**45. FINANCIAL INSTRUMENTS (CONT'D)**

45.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(a) Market Risk (Cont'd)**

(i) Foreign Currency Risk (Cont'd)

*Foreign Currency Risk Sensitivity Analysis*

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

| | The Group | |
|---|---|---|
| | **2021** | **2020** |
| | **RM'000** | **RM'000** |
| ***Effects on Loss After Taxation*** | | |
| *United States Dollar:-* | | |
| *- strengthened by 10%* | (714) | (170) |
| *- weakened by 10%* | 714 | 170 |
| *Singapore Dollar:-* | | |
| *- strengthened by 10%* | 122 | 178 |
| *- weakened by 10%* | (122) | (178) |
| *Euro:-* | | |
| *- strengthened by 10%* | (872) | (385) |
| *- weakened by 10%* | 872 | 385 |
| *Thai Baht:-* | | |
| *- strengthened by 10%* | - | 16 |
| *- weakened by 10%* | - | (16) |

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

(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 carrying amounts 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 45.1(c) to the financial statements.

**45. FINANCIAL INSTRUMENTS (CONT'D)**

45.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(a) Market Risk (Cont'd)**

(ii) Interest Rate Risk (Cont'd)

*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 | |
|---|---|---|
| | **2021** | **2020** |
| | **RM'000** | **RM'000** |
| ***Effects on Loss After Taxation*** | | |
| *Increase of 100 basis points ("bp")* | (335) | (332) |
| *Decrease of 100 bp* | 335 | 332 |

The Company does not have any floating rate 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. Any reasonably possible change in the prices of quoted investments at the end of the reporting period does not have a material impact on the loss after taxation of the Group and hence, no sensitivity analysis is presented.

**(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 and cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's exposure to credit risk arises principally from loans and advances to subsidiaries, and corporate guarantee given 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.

**45. FINANCIAL INSTRUMENTS (CONT'D)**

45.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(b) Credit Risk (Cont'd)**

(i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to the amounts owing by a customer (2020 - two customers) which constituted approximately 19% (2020 - 31%) of its trade receivables at the end of the reporting period.

In addition, the Group also determines the concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables at the end of the reporting period is as follows:-

| | The Group | |
|---|---|---|
| | **2021** | **2020** |
| | **RM'000** | **RM'000** |
| Malaysia | 15,831 | 12,316 |
| Singapore | 1,215 | 1,776 |
| Thailand | - | 712 |
| Mauritius | 31 | 110 |
| Indonesia | - | 1,956 |
| | 17,077 | 16,870 |

(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 statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

In addition, the Company's maximum exposure to credit risk also includes corporate guarantees provided to its subsidiaries as disclosed under the 'Maturity Analysis' of item (c) below, representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. These corporate guarantees have not been recognised in the Company's financial statements since their fair value on initial recognition were not material.

(iii) Assessment of Impairment Losses

At each reporting date, the Group assesses whether any of the financial assets at amortised cost are credit impaired.

The gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite the fact that they are still subject to enforcement activities.

*Trade Receivables*

The Group applies the simplified approach to measure expected credit losses using a lifetime expected credit loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

For certain large customers or customers with a high risk of default, the Group assesses the risk of loss of each customer individually based on their financial information, past trends of payments and external credit rating, where applicable.

## 45. FINANCIAL INSTRUMENTS (CONT'D)

45.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(b) Credit Risk (Cont'd)**

(iii) Assessment of Impairment Losses (Cont'd)

*Trade Receivables (Cont'd)*

Also, the Group considers any trade receivables having financial difficulty or in default with significant balances outstanding for more than 180 days, are deemed credit impaired and assesses for their risk of loss individually.

The expected loss rates are based on the payment profiles of sales over a period of 12 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for trade receivables are summarised below:-

| The Group | Gross Amount RM'000 | Individual Impairment RM'000 | Collective Impairment RM'000 | Carrying Amount RM'000 |
|---|---|---|---|---|
| **2021** | | | | |
| Current (not past due) | 11,821 | - | (7) | 11,814 |
| 1 to 30 days past due | 3,430 | - | (10) | 3,420 |
| 31 to 60 days past due | 1,531 | - | (11) | 1,520 |
| 61 to 90 days past due | 210 | - | (12) | 198 |
| 91 to 180 days past due | 140 | - | (15) | 125 |
| Credit impaired | 245 | - | (245) | - |
| | 17,377 | - | (300) | 17,077 |
| **2020** | | | | |
| Current (not past due) | 10,704 | - | - | 10,704 |
| 1 to 30 days past due | 4,530 | - | - | 4,530 |
| 31 to 60 days past due | 1,231 | - | - | 1,231 |
| 61 to 90 days past due | 67 | - | - | 67 |
| Credit impaired | 1,119 | (779) | (2) | 338 |
| | 17,651 | (779) | (2) | 16,870 |

The movements in the loss allowances in respect of trade receivables are disclosed in Note 12 to the financial statements.

## 45. FINANCIAL INSTRUMENTS (CONT'D)

45.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(b) Credit Risk (Cont'd)**

(iii) Assessment of Impairment Losses (Cont'd)

*Other Receivables*

The Group applies the 3-stage general approach to measure expected credit losses for other receivables. No expected credit loss is recognised on these balances as it is negligible.

*Fixed Deposits with Licensed Banks, Cash and Bank Balances*

The Group considers these banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by the Government agencies. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

*Amount Owing By Subsidiaries (Non-trade Balances)*

The Company applies the 3-stage general approach to measure expected credit losses for all inter-company balances. Generally, the Company considers loans and advances to subsidiaries have low credit risks. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when the subsidiary is unlikely to repay its loan or advance in full or the subsidiary is continuously loss making or the subsidiary is having a deficit in its total equity.

The Company determines the probability of default for these loans and advances individually using internal information available.

The information about the exposure to credit risk and the loss allowances calculated for the amount owing by subsidiaries are summarised below:-

| The Company | Gross Amount RM'000 | Lifetime Loss Allowance RM'000 | Carrying Amount RM'000 |
|---|---|---|---|
| **2021** | | | |
| Low credit risk | 4,097 | - | 4,097 |
| Credit impaired | 47,614 | (23,860) | 23,754 |
| | 51,711 | (23,860) | 27,851 |
| **2020** | | | |
| Low credit risk | 4,045 | - | 4,045 |
| Credit impaired | 47,987 | (23,616) | 24,371 |
| | 52,032 | (23,616) | 28,416 |

The movements in the loss allowances are disclosed in Note 14 to the financial statements.

**45. FINANCIAL INSTRUMENTS (CONT'D)**

45.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(b) Credit Risk (Cont'd)**

(iii) Assessment of Impairment Losses (Cont'd)

*Financial Guarantee Contracts*

All of the financial guarantee contracts are considered to be performing, have low risks of default and historically there were no instances where these financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued to. Accordingly, no loss allowances were identified based on 12-month expected credit losses.

**(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 |
|---|---|---|---|---|---|---|
| **2021** | | | | | | |
| Non-derivative Financial Liabilities | | | | | | |
| Lease liabilities | 5.01 | 28,337 | 35,843 | 6,556 | 14,969 | 14,318 |
| Term loans | 4.49 | 759 | 869 | 292 | 577 | - |
| Bills payable | 2.19 | 18,230 | 18,230 | 18,230 | - | - |
| Trade payables | - | 7,377 | 7,377 | 7,377 | - | - |
| Other payables and accruals | - | 5,972 | 5,972 | 5,972 | - | - |
| Amount owing to related parties | - | 1,430 | 1,430 | 1,430 | - | - |
| Amount owing to a director | - | 77 | 77 | 77 | - | - |
| Revolving credit | 6.18 | 400 | 400 | 400 | - | - |
| Bankers' acceptances | 2.25 | 1,256 | 1,256 | 1,256 | - | - |
| Bank overdrafts | 7.00 | 3,752 | 3,752 | 3,752 | - | - |
| | | 67,590 | 75,206 | 45,342 | 15,546 | 14,318 |

## 45. FINANCIAL INSTRUMENTS (CONT'D)

45.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

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

*Maturity Analysis (Cont'd)*

| 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 |
|---|---|---|---|---|---|---|
| **2020** | | | | | | |
| Non-derivative Financial Liabilities | | | | | | |
| Lease liabilities | 5.28 | 31,430 | 40,393 | 6,606 | 17,111 | 16,676 |
| Term loans | 5.88 | 856 | 972 | 292 | 680 | - |
| Bills payable | 4.00 | 12,645 | 12,645 | 12,645 | - | - |
| Trade payables | - | 9,533 | 9,533 | 9,533 | - | - |
| Other payables and accruals | - | 5,606 | 5,606 | 5,606 | - | - |
| Amount owing to related parties | - | 529 | 529 | 529 | - | - |
| Amount owing to a director | - | 77 | 77 | 77 | - | - |
| Revolving credit | 6.18 | 1,000 | 1,000 | 1,000 | - | - |
| Bankers' acceptances | 4.78 | 871 | 871 | 871 | - | - |
| Bank overdrafts | 7.20 | 6,831 | 6,831 | 6,831 | - | - |
| | | 69,378 | 78,457 | 43,990 | 17,791 | 16,676 |

| The Company | 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 |
|---|---|---|---|---|---|---|
| **2021** | | | | | | |
| Non-derivative Financial Liabilities | | | | | | |
| Lease liabilities | 5.70 | 3,338 | 4,179 | 506 | 2,081 | 1,592 |
| Other payables and accruals | - | 549 | 549 | 549 | - | - |
| Amount owing to subsidiaries | - | 28,445 | 28,445 | 28,445 | - | - |
| Amount owing to related parties | - | 881 | 881 | 881 | - | - |
| Financial guarantee contracts in relation to corporate guarantees given to certain subsidiaries | - | - | 33,510 | 33,510 | - | - |
| | | 33,213 | 67,564 | 63,891 | 2,081 | 1,592 |

## 45. FINANCIAL INSTRUMENTS (CONT'D)

45.1 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 | 1 - 5 Years RM'000 | Over 5 Years RM'000 |
|---|---|---|---|---|---|---|
| **2020** | | | | | | |
| Non-derivative Financial Liabilities | | | | | | |
| Lease liabilities | 5.70 | 3,519 | 4,543 | 379 | 2,053 | 2,111 |
| Other payables and accruals | - | 501 | 501 | 501 | - | - |
| Amount owing to subsidiaries | - | 28,423 | 28,423 | 28,423 | - | - |
| Amount owing to related parties | - | 364 | 364 | 364 | - | - |
| Financial guarantee contracts in relation to corporate guarantees given to certain subsidiaries | - | - | 33,233 | 33,233 | - | - |
| | | 32,807 | 67,064 | 62,900 | 2,053 | 2,111 |

The contractual undiscounted cash flows represent the outstanding credit facilities of the subsidiaries at the end of the reporting period. The financial guarantees have not been recognised in the financial statements since their fair value on initial recognition were not material.

## 45. FINANCIAL INSTRUMENTS (CONT'D)

### 45.2 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 that complies with debt covenants and regulatory, if any. 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:-

| | The Group | |
|---|---|---|
| | 2021 RM'000 | 2020 RM'000 |
| Lease liabilities | 28,337 | 31,430 |
| Term loans | 759 | 856 |
| Bankers' acceptances | 1,256 | 871 |
| Revolving credit | 400 | 1,000 |
| Bills payable | 18,230 | 12,645 |
| Bank overdrafts | 3,752 | 6,831 |
| | 52,734 | 53,633 |
| Less: Cash and bank balances | (8,533) | (3,970) |
| Less: Short-term investment | (12) | (12) |
| Net debt | 44,189 | 49,651 |
| Total equity (excluding non-controlling interests) | 84,704 | 85,766 |
| Debt-to-equity ratio | 0.52 | 0.58 |

There was no change in the Group's approach to capital management during the financial year.

## 45. FINANCIAL INSTRUMENTS (CONT'D)

### 45.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| **Financial Assets** | | | | |
| Fair Value Through Profit or Loss | | | | |
| Short-term investment | 12 | 12 | 12 | 12 |
| Other investments | 1 | 1 | * | * |
| | 13 | 13 | 12 | 12 |
| Amortised Cost | | | | |
| Trade receivables | 17,077 | 16,870 | - | - |
| Other receivables | 177 | 179 | 62 | 62 |
| Amount owing by subsidiaries | - | - | 27,851 | 28,416 |
| Fixed deposits with licensed banks | 1,348 | 1,332 | - | - |
| Cash and bank balances | 8,533 | 3,970 | 40 | 31 |
| | 27,135 | 22,351 | 27,953 | 28,509 |
| **Financial Liability** | | | | |
| Amortised Cost | | | | |
| Lease liabilities | 28,337 | 31,430 | 3,338 | 3,519 |
| Term loans | 759 | 856 | - | - |
| Bankers' acceptances | 1,256 | 871 | - | - |
| Bills payable | 18,230 | 12,645 | - | - |
| Trade payables | 7,377 | 9,533 | - | - |
| Other payables and accruals | 5,972 | 5,606 | 549 | 501 |
| Amount owing to subsidiaries | - | - | 28,445 | 28,423 |
| Amount owing to related parties | 1,430 | 529 | 881 | 364 |
| Amount owing to a director | 77 | 77 | - | - |
| Revolving credit | 400 | 1,000 | - | - |
| Bank overdrafts | 3,752 | 6,831 | - | - |
| | 67,590 | 69,378 | 33,213 | 32,807 |

Note:
* represents RM2

## 45. FINANCIAL INSTRUMENTS (CONT'D)

45.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| **Financial Assets** | | | | |
| Fair Value Through Profit or Loss | | | | |
| Net gains recognised in profit or loss | ^ | * | - | - |
| Amortised Cost | | | | |
| Net losses recognised in profit or loss | (282) | (95) | (248) | (2,661) |
| **Financial Liability** | | | | |
| Amortised Cost | | | | |
| Net (losses)/gains recognised in profit or loss | (2,478) | (2,856) | (228) | 424 |

Note:
^ represents RM134
* represents RM14

45.5 FAIR VALUE INFORMATION

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 following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

| | Fair Value Of Financial Instruments Carried At Fair Value | | | Fair Value Of Financial Instruments Not Carried At Fair Value | | | | |
|---|---|---|---|---|---|---|---|---|
| **The Group** | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total Fair Value RM'000 | Carrying Amount RM'000 |
| **2021** | | | | | | | | |
| Financial Assets | | | | | | | | |
| Other investments: | | | | | | | | |
| - quoted | 1 | - | - | - | - | - | 1 | 1 |
| - unquoted | - | ^ | - | - | - | - | ^ | ^ |
| Short-term investment | - | 12 | - | - | - | - | 12 | 12 |
| Financial Liability | | | | | | | | |
| Term loans | - | - | - | - | 759 | - | 759 | 759 |

## 45. FINANCIAL INSTRUMENTS (CONT'D)

45.5 FAIR VALUE INFORMATION (CONT'D)

| The Group | Fair Value Of Financial Instruments Carried At Fair Value | | | Fair Value Of Financial Instruments Not Carried At Fair Value | | | Total Fair Value | Carrying Amount |
|---|---|---|---|---|---|---|---|---|
| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | RM'000 | RM'000 |
| **2020** | | | | | | | | |
| Financial Assets | | | | | | | | |
| Other investments: | | | | | | | | |
| - quoted | 1 | - | - | - | - | - | 1 | 1 |
| - unquoted | - | ^ | - | - | - | - | ^ | ^ |
| Short-term investment | - | 12 | - | - | - | - | 12 | 12 |
| Financial Liability | | | | | | | | |
| Term loans | - | - | - | - | 856 | - | 856 | 856 |

| The Company | Fair Value Of Financial Instruments Carried At Fair Value | | | Fair Value Of Financial Instruments Not Carried At Fair Value | | | Total Fair Value | Carrying Amount |
|---|---|---|---|---|---|---|---|---|
| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | RM'000 | RM'000 |
| **2021** | | | | | | | | |
| Financial Assets | | | | | | | | |
| Other investments: | | | | | | | | |
| - unquoted | - | ^ | - | - | - | - | ^ | ^ |
| Short-term investment | - | 12 | - | - | - | - | 12 | 12 |
| **2020** | | | | | | | | |
| Financial Assets | | | | | | | | |
| Other investments: | | | | | | | | |
| - unquoted | - | ^ | - | - | - | - | ^ | ^ |
| Short-term investment | - | 12 | - | - | - | - | 12 | 12 |

Note:
^ represents RM2

**45. FINANCIAL INSTRUMENTS (CONT'D)**

45.5 FAIR VALUE INFORMATION (CONT'D)

**(a) Fair Value of Financial Instruments Carried at Fair Value**

The fair values above have been determined using the following basis:-

(i) The fair value of quoted investments is determined at their quoted closing bid prices at the end of the reporting period.

(ii) The fair value of the unquoted equity investments is determined to approximate the net assets of the investee as it is immaterial in the context of the financial statements.

(iii) The fair value of money market fund is determined by reference to statements provided by the respective financial institutions, with which the investments were entered into.

**(b) Fair Value of Financial Instruments Not Carried at Fair Value**

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

**46. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR AND SUBSEQUENT EVENT**

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as global pandemic. Following the declaration, the Government of Malaysia has on 18 March 2020 imposed the Movement Control Order ("MCO") and subsequently entered into various phases of the MCO to curb the spread of the COVID-19 pandemic in Malaysia.

The Group's operations have been disrupted by a series of precautionary and control measures taken by the government and private corporations in response to the emergency of the COVID-19 pandemic. The Multiwall Industrial Paper Sacks Division has temporary ceased operation during MCO period from 18 March 2020 to end of April 2020. The Group has resumed operation after obtained approval from the authority.

The Group's financial performance for the current reporting period had been impacted by the COVID-19 pandemic. Nevertheless, the Group will continuously assess the situation and put in place measures to minimise impact to its businesses.

Subsequent to the reporting date, the numbers of new COVID-19 cases increased substantially in Malaysia and markets in which the Group operates. The Government of Malaysia has continued to impose various phases of MCO to control the spread of COVID-19. As the outbreak is evolving, the full effect of the COVID-19 pandemic is subject to uncertainty and could not be ascertained reliably at this juncture.

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 | 418 | 0.00 |
| 100 – 1,000 | 384 | 349,300 | 0.23 |
| 1,001 – 10,000 | 749 | 3,830,826 | 2.56 |
| 10,001 – 100,000 | 385 | 12,786,186 | 8.53 |
| 100,001 – 7,494,486 | 95 | 75,723,023 | 50.52 |
| 7,494,487 and above | 2 | 57,200,000 | 38.16 |
| **Total** | **1,637** | **149,889,753** | **100.00** |

## SUBSTANTIAL SHAREHOLDERS

As registered in the Register of Substantial Shareholders as at 30 April 2021.

| | No. of Shares held | | | |
|---|---|---|---|---|
| **Name** | **Direct** | **%** | **Indirect** | **%** |
| Cheong Chan Holdings Sdn Bhd | 30,000,000 | 20.01 | - | - |
| Dato' Lim Kheng Yew | 2,000,000 | 1.33 | 53,150,000[1] | 35.46 |
| Datin Millie Lee Siew Kim | 4,650,000 | 3.10 | 7,000,000[2] | 4.67 |
| Lim Tze Thean | 3,650,000 | 2.44 | 12,500,000[3] | 8.34 |

[1] Deemed interest by virtue of his interest in Cheong Chan Holdings Sdn Bhd, KYM Sdn Bhd and West River Capital Sdn Bhd pursuant to Section 8 of the Companies Act, 2016 and by virtue of the shareholding of his spouse and children pursuant to Section 59(11)(c) of the Companies Act, 2016.

[2] Deemed interest by virtue of her interest in KYM Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.

[3] Deemed interest by virtue of his interest in KYM Sdn Bhd and West River Capital Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.

## THIRTY LARGEST SHAREHOLDERS

as at 30 April 2021

| | 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<br>Exempt An For Credit Suisse | 27,200,000 | 18.15% |
| 3. | KYM Sdn Bhd | 7,000,000 | 4.67% |
| 4. | West River Capital Sdn Bhd | 5,500,000 | 3.67% |
| 5. | HSBC Nominees (Asing) Sdn Bhd<br>Exempt an for the Hong Kong and Shanghai Banking Corporation Limited | 5,400,000 | 3.60% |
| 6. | Datin Millie Lee Siew Kim | 4,650,000 | 3.10% |
| 7. | Kenanga Nominees (Asing) Sdn Bhd<br>Cantal Capital Inc. | 3,800,000 | 2.54% |
| 8. | Kenanga Nominees (Asing) Sdn Bhd<br>Emmel Inc. | 3,300,000 | 2.20% |
| 9. | Lim Tze Thean | 3,000,000 | 2.00% |
| 10. | Mark Lim Tze Seang | 3,000,000 | 2.00% |
| 11. | Maybank Nominees (Tempatan) Sdn Bhd<br>Maybank Private Wealth Management for Melissa Lim Su Lin | 3,000,000 | 2.00% |

### THIRTY LARGEST SHAREHOLDERS (CONT'D)
as at 30 April 2021

| | Name of Shareholders | No. of Ordinary Shares | % of Issued Capital |
|---|---|---|---|
| 12. | Yap Chee Lit | 2,617,000 | 1.75% |
| 13. | Sai Yee @ Sia Say Yee | 2,580,200 | 1.72% |
| 14. | M&A Nominee (Tempatan) Sdn Bhd<br>Pledged Securities Account for Soh Choh Piau (M&A) | 2,371,300 | 1.58% |
| 15. | Lim Kheng Yew | 2,000,000 | 1.33% |
| 16. | Tan Suan Huat | 1,770,000 | 1.18% |
| 17. | Chong Thin Choy | 1,720,900 | 1.15% |
| 18. | Lau Tiam Aik | 1,473,500 | 0.98% |
| 19. | Loh Toh Heoh | 1,082,300 | 0.72% |
| 20. | Affin Hwang Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Mohamad Razman bin Rahim | 1,000,000 | 0.67% |
| 21. | Wong Hon Tatt | 1,000,000 | 0.67% |
| 22. | Olive Lim Swee Lian | 840,000 | 0.56% |
| 23. | Magnitude Network Sdn Bhd | 775,273 | 0.52% |
| 24. | TA Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Liew Ah Onn | 767,500 | 0.51% |
| 25. | Affin Hwang Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Ng Wymin | 751,800 | 0.50% |
| 26. | HLIB Nominees (Tempatan) Sdn Bhd<br>Hong Leong Bank Bhd for Lim Tze Thean | 650,000 | 0.43% |
| 27. | Renfield Investment Limited | 650,000 | 0.43% |
| 28. | Zamri bin Mohamad | 630,000 | 0.42% |
| 29. | Affin Hwang Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Teoh Boon Hock | 620,200 | 0.41% |
| 30. | Yee Kwok Yim | 529,900 | 0.35% |
| | | 119,679,873 | 79.82% |

### DIRECTORS' INTEREST IN SHARES
as at 30 April 2021

| | Ordinary Shares | | | |
|---|---|---|---|---|
| Name | Direct | % | Indirect | % |
| Dato' Seri Dr. Isahak Bin Yeop Mohamad Shar | - | - | - | - |
| Dato' Seri Ir. Mohamad Othman Bin Zainal Azim | - | - | - | - |
| Dato' Lim Kheng Yew | 2,000,000 | 1.33 | 53,150,000[(1)] | 35.46 |
| 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 | 3,650,000 | 2.44 | 12,500,000[(2)] | 8.34 |

(1) Deemed interest by virtue of his interest in Cheong Chan Holdings Sdn Bhd, KYM Sdn Bhd and West River Capital Sdn Bhd pursuant to Section 8 of the Companies Act, 2016 and by virtue of the shareholding of his spouse and children pursuant to Section 59(11)(c) of the Companies Act, 2016.

(2) Deemed interest by virtue of his interest in KYM Sdn Bhd and West River Capital 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.

| Location/Address | Land Area ($m^2$) | Tenure | Date of Acquisition/ (Revaluation) | Description and Existing Use | Approx. Age of Buildings | Net Book Value (RM) |
|---|---|---|---|---|---|---|
| PN 210048 Lot No. 6917, PN 210061 Lot 6927, and HSD 489 PT No. 4116 Mukim of Lumut District of Manjung Perak Darul Ridzuan | 311,253 | 99 years leasehold expiring on 14.03.2089 | (31.12.2020) | 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 | (31.12.2020) | Residential, Vacant | - | 12,400,000 |
| Lot 7 Jalan Perusahaan 1 Kawasan Perusahaan Beranang 43700 Beranang Selangor Darul Ehsan | 36,430 | 99 years leasehold expiring on 09.10.2099 | (31.12.2020) | Industrial land with factory buildings and warehouse erected thereon | 29 years | 9,000,000 |
| PN 343148 Lot No. 392203 Mukim Hulu Kinta District of Kinta Perak Darul Ridzuan | 167,400 | 99 years leasehold expiring on 23.11.2107 | (31.12.2020) | Residential, Commercial; Vacant | - | 7,600,000 |
| 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 | 28 years | 6,426,875 |
| 12 & 14 Lorong Medan Tuanku Satu 50300 Kuala Lumpur | 1,200 | Freehold | (31.12.2020) | 2 adjoining units of 5-storey shop/office buildings | 36 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 | 29 years | 5,454,632 |
| 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 | 10 years | 1,660,466 |
| No. 443 & 443A Jalan Wallagonia 18 Taman Universiti Wallagonia 35400 Tapah Road Perak Darul Ridzuan | 260 | 99 years leasehold expiring on 15.02.2112 | (31.12.2020) | Leasehold single storey terrace house | 4 years | 360,000 |

NOTICE IS HEREBY GIVEN that the 39th Annual General Meeting of KYM Holdings Bhd. will be held as a fully virtual meeting via live streaming and online remote voting from the Broadcast Venue at Level 17, KYM Tower, No. 8 Jalan PJU 7/6, Mutiara Damansara, 47800 Petaling Jaya, Selangor on Thursday, 8 July 2021 at 11.00 a.m. for the following purposes:-

1. To receive the Financial Statements for the financial year ended 31 January 2021 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 2021 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 39th 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 81) **(RESOLUTION 2)**
   ii. Lim Tze Thean (Article 81) **(RESOLUTION 3)**

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

   And that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad." **(RESOLUTION 5)**

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

   "That, subject always to the Listing Requirements of Bursa Malaysia Securities Berhad, the shareholders' mandate for the recurrent related party transactions of a revenue or trading nature as approved by the shareholders of the Company on 23 July 2020 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 2021 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 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)**

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**
SSM PC No.: 201908000760 (MAICSA 7016822)
Secretary

Selangor Darul Ehsan

31 May 2021

**Notes:-**

1. Please refer to the Administrative Guide for the procedures to register, participate and vote at the virtual meeting.

2. The Broadcast Venue is strictly for the purpose of compliance with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be at the main venue of the 39th Annual General Meeting. No member/proxy/corporate representative are permitted to be physically present at the Broadcast Venue on the day of the 39th AGM.

3. Only members registered in the Record of Depositors on or before 5.00 p.m. as at 1 July 2021 shall be eligible to attend the meeting or appoint a proxy to attend and/or vote on such depositor's behalf. A proxy or an attorney or a duly authorized representative need not be a member of the Company.

4. Save for an exempt authorised nominee as defined 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.

5. 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.

6. 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.

7. 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, Level 17, KYM Tower, No. 8, Jalan PJU 7/6, Mutiara Damansara, 47800 Petaling Jaya, Selangor 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:**

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. Directors' Fees and Benefits

   The amount of Directors' fees payable includes fees payable to Non-Executive Directors as members of Board and Board Committees. The amount of Directors' benefits payable to Non-Executive Directors comprise meeting allowances from this AGM until the conclusion of the next AGM of the Company pursuant to the Act which shareholders' approval will be sought at this 39th AGM in accordance with Section 230 of the Act.

3. 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 AGM of the Company.

   As at the date of Notice, no shares were issued pursuant to the mandate granted to the Directors at the last AGM held on 23 July 2020 which will lapse at the conclusion of the 39th AGM.

   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.

4. Proposed Renewal of Shareholders' Mandate for 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 2021 circulated together with this Annual Report. These authorities, unless revoked or varied by the Company at a general meeting will expire at the next AGM of the Company.

5. Retention of Independent Non-Executive Directors

   In accordance with the Malaysian Code on Corporate Governance 2017, the Nomination & Remuneration Committee and the Board have recommended the three (3) Non–Executive Directors to continue to act as Independent Non-Executive Directors 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;

   (c) They have been consistently providing independent judgement and unbiased view in decision making at the Board meeting;

   (d) They are free from any business or other relationship which could interfere with independent judgement or the ability to act in the best interests of the Company; and

   (e) They have shown great integrity of independence and had not entered into any related party transaction with the Company.

   Shareholders' approval for Ordinary Resolutions 7, 8 and 9 will be sought through a two-tier voting process.

6. Annual Report 2021

   The softcopy of the Annual Report 2021 is available on the Company's website at www.kym.com.my. Shareholders of the Company may request for the printed copy of the Annual Report 2021 via the Company's website at www.kym.com.my and must provide all the required information accurately i.e. full name, CDS Account Number, full mailing address and shareholder's mobile number. With the accurate and complete information, a copy of the Annual Report 2021 would be sent to the shareholders upon request within four (4) working days.

**Personal Data Policy**

By submitting a completed Proxy Form to the Company (or its agents) (as the case may be) for appointing a proxy(ies) and/or representative(s) to attend and/or in person at the 39th AGM and any adjournment therefore, a member of the Company hereby:

(i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the 39th AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 39th AGM (including any adjournment thereof) and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes");
(ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and
(iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

For the purpose of the paragraph, "personal data" shall have the same meaning given in section 4 of Personal Data Protection Act 2010.

**STATEMENT ACCOMPANYING THE NOTICE OF THE 39TH AGM**
Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

No individual is seeking for election as a Director at the forthcoming 39th AGM of the Company.

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

# PROXY FORM

| | |
|---|---|
| **CDS Account No.** | |
| **Number of Shares Held** | |

I/We …………………………………………………………………..................………… (NRIC No.: ……………………………................……..………)

of ……………………………………………………………………………….......……………………….............................……………………...…..

being a member of KYM Holdings Bhd. hereby appoint ……………………………..............................................…………………………..

…………………………………………………………………………………............................… (NRIC No.: ……………………………..............……..………)

of ……………..………………………………………………………………..………………………….…………………….………........................................

or failing him ………………..……………………………….................................……… (NRIC No.: ……………………………..............……..………)

of ………………………………………………………………………………..……………………………………………………………........................................
as *my/our proxy to vote for *me/us and on *my/our behalf at the 39th Annual General Meeting of the Company to be held as a fully virtual meeting via live streaming and online remote voting from the Broadcast Venue at Level 17, KYM Tower, No. 8 Jalan PJU 7/6, Mutiara Damansara, 47800 Petaling Jaya, Selangor on Thursday, 8 July 2021 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 Mr Lim Tze Thean | | |
| 4. | Re-appointment of Messrs Crowe Malaysia PLT 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 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 Senior Independent Non-Executive Director | | |
| 9. | Retention of Dato' Mohd Azmi Bin Othman as Independent Non-Executive Director | | |

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

Dated this …………… day of …………………….. , 2021.

....................................................................
Signature of Member/Common Seal

**Notes:**
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*Please fold along this line (1)*

Stamp

**The Company Secretary**

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

Level 17, KYM Tower
No. 8, Jalan PJU 7/6
Mutiara Damansara
47800 Petaling Jaya
Selangor

*Please fold along this line (2)*

www.kym.com.my

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

Level 17, KYM Tower
No. 8, Jalan PJU 7/6
Mutiara Damansara
47800 Petaling Jaya
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