

**KYM HOLDINGS BHD (“KYM”)  
FACTORY LEASE AGREEMENT BETWEEN HASRAT MERANTI (TAPAH) SDN  
BHD AND TZEL ASSETS SDN BHD**

**1. INTRODUCTION**

The Board of Directors of KYM Holdings Bhd (“KYM”) is pleased to announce to the Exchange that Hasrat Meranti (Tapan) Sdn Bhd (“HM Tapan” or “Lessee”), a wholly-owned subsidiary of Hasrat Meranti Sdn Bhd which in turn a wholly-owned subsidiary of KYM, has on 2 January 2013 entered into a Factory Lease Agreement with Tzel Assets Sdn Bhd (“TASB” or “Lessor”) for the lease of a purpose built factory to be constructed on part of the land held under PT 4059 H.S.(D) 15459, Mukim Batang Padang, Daerah Batang Padang, Tapan, Perak Darul Ridzuan for the manufacture of industrial paper bags (“Demised Premises”) at a monthly rental of RM90,342 (“Lease”).

**2. INFORMATION ON THE LESSEE**

HM Tapan is a private company incorporated in Malaysia under the Companies Act, 1965 on 12 June 2012. The authorised share capital is RM100,000 comprising 100,000 ordinary shares of RM1 each of which all has been issued and fully paid-up. The principal activity of HM Tapan is manufacture of industrial paper bags.

**3. INFORMATION ON THE LESSOR**

TASB is a private company incorporated in Malaysia under the Companies Act, 1965 on 13 July 2005. The authorised share capital is RM5,000,000 of which 2,500,000 shares have been issued and fully paid-up. The principal activity of TASB is property development and property investment.

The Directors of TASB and their shareholding are as follows:

<b>Directors</b>	<b>No. of shares held</b>	<b>%</b>
Datin Millie Lee Siew Kim (f)	2,499,999	99.99
Dato’ Lim Kheng Yew	-	-
Lim Tze Thean	-	-
Melissa Lim Su Lin (f)		

**4. DETAILS OF THE LEASE**

- (1) The factory shall be designed and constructed to meet the requirements for the manufacture of industrial paper bags.
- (2) The construction of the factory building shall be completed by 28 February 2013.
- (3) The rent shall be RM1.00 per square foot only a month (“Rent”) and the monthly rental for a total estimated built up area of 90,342 square feet shall be RM90,342.00.
- (4) The Rent for the factory shall be revised upwards by 15% every 3 periodic years.

- (5) The lease term shall be 3 years commencing on 1 March 2013 (“Lease Term”). Upon expiry of the Lease Term, the Factory Lease Agreement shall be automatically renewed for a further period of 3 years (“Renewed Term”) and shall continue to be automatically renewed for the same term of years at the expiry of each Renewed Term up to a cumulative maximum of Fifteen (15) years unless the Lessor notifies the Lessee in writing not less than six (6) months prior to the expiration of the Lease Term or each Renewed Term.
- (6) If at any time during the continuance or after the expiry of the Lease Term or the Renewed Term, as the case may be, the Lessor is desirous to sell the Demised Premises, the Lessor shall before proceeding to offer the same for sale give notice of such desire and the price at which the Lessor is prepared to sell the same and the Lessee shall be entitled to accept in writing the same and if no such acceptance on the part of the Lessee is received by the Lessor within fourteen (14) days of the date of service of the said notice, the Lessor is free to offer the same to the Lessee to other persons to purchase the same and the Lessor hereby further covenants with the Lessee that it will not at any time accept any offer for the purchase of the Demised Premises made by someone other than the Lessee without first offering to sell the same to the Lessee in accordance with the provisions of this clause and the offer price of the Demised Premises shall at any time be subject to valuation of the Demised Premises.

## **5. BASIS OF ARRIVING AT THE RENT RATE**

The rent rate was determined based on the cost of construction of the modern factory which shall be designed and constructed to meet the requirements of the state-of-the art machine for the manufacture of industrial bags, taking into consideration of the prevailing average rental rate of industrial properties in Tapah and Ipoh Perak.

## **6. RATIONALE FOR THE LEASE**

The purpose-built factory is mainly to facilitate the expansion of the production of cement bags. The Lease of the factory will enable the Industrial Bags Division to expand its production capacity without incurring additional cost to fund the construction of the new factory.

## **7. APPROVAL SOUGHT**

The Lease is not subject to the approval of the shareholders of KYM.

## **8. FINANCIAL EFFECTS OF THE LEASE**

### **8.1 Issued Share Capital**

The Lease will not have any effect on the issued share capital and the shareholdings of the substantial shareholders of KYM.

### **8.2 Earnings and Net Assets**

The Lease will not have any material effect on the consolidated earnings and consolidated net assets per KYM share for the financial year ending 31 January 2013.

### 8.3 Gearing

The Lease is not expected to have any material impact on the gearing of the KYM Group for financial year ending 31 January 2013.

### 9. PERCENTAGE RATIO APPLICABLE TO THE LEASE PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS (“MMLR”)

The highest percentage ratio applicable to the Lease pursuant to Paragraph 10.02(g) of MMLR is 2.85%.

There was no transaction whatsoever with the same related party for the preceding 12 months.

### 10. DIRECTORS’ AND MAJOR SHAREHOLDERS’ INTERESTS

Dato’ Lim Kheng Yew is a Director of TASB and a Director and Major Shareholder of KYM. Dato’ Lim Kheng Yew is the husband of Datin Millie Lee Siew Kim, a Director and major shareholder of TASB. Datin Millie Lee Siew Kim is also a Major Shareholder of KYM. Mr Lim Tze Thean and Ms Melissa Lim Su Lin, the children of Dato’ Lim Kheng Yew and Datin Millie Lee Siew Kim, are the shareholders of KYM. Dato’ Lim Kheng Yew being an Interested Director, has abstained and will continue to abstain from all Board deliberations and voting pertaining to the Lease.

The direct and indirect shareholdings of Interested Directors and interested major shareholders in KYM as at 28 December 2012 are as follows:

<u>Interested Directors</u>	<u>Direct</u>	<u>No. of Shares Held</u>		<u>%</u>
		<u>%</u>	<u>Indirect</u>	
Dato’ Lim Kheng Yew	5,000,000	3.75	45,750,000 <sup>(1)</sup>	34.32
<u>Interested Major Shareholders</u>				
Dato’ Lim Kheng Yew	5,000,000	3.75	45,750,000 <sup>(1)</sup>	34.32
Datin Millie Lee Siew Kim	-	-	14,750,000 <sup>(2)</sup>	11.06
Lim Tze Thean	3,000,000	2.25	7,000,000 <sup>(3)</sup>	5.25

*Notes:*

- (1) Deemed interest in shares held by Cheong Chan Holdings Sdn Bhd, KYM Sdn Bhd, Idaman Bina Makmur Sdn Bhd by virtue of Section 6A of the Companies Act, 1965 and shares held by his children by virtue of Section 134(12)(c) of the Companies Act, 1965.
- (2) Deemed interest in shares held by KYM Sdn Bhd and Idaman Bina Makmur Sdn Bhd by virtue of Section 6A of the Companies Act, 1965.
- (3) Deemed interest in shares held by KYM Sdn Bhd by virtue of Section 6A of the Companies Act, 1965.

Save as disclosed above, none of other Directors and/or major shareholders of KYM and persons connected to them have any interest, direct or indirect, in the Lease.

### 11. AUDIT COMMITTEE STATEMENT

The Audit Committee has reviewed the terms of the Lease, taken into consideration of the cost of construction of the factory and the prevailing average rental rate of industrial properties in Tapah and Ipoh Perak. The Audit Committee is of the opinion that the terms are fair, reasonable and on

normal commercial terms. The Lease is not detrimental to the interest of the non-interested shareholders of KYM and is in the best interest of KYM Group.

The Audit Committee has not sought independence advice in forming its opinion.

## **12. STATEMENT BY DIRECTORS**

The Board of Directors of KYM (save for Dato' Lim Kheng Yew) concurred the view of Audit Committee that the Lease is in the best interest of the KYM Group; fair, reasonable and on normal commercial terms and not detrimental to the interest of minority shareholders.

## **13. DOCUMENTS FOR INSPECTION**

The Factory Lease Agreement is available for inspection at the Company's registered office at No. 12 Lorong Medan Tuanku Satu 50300 Kuala Lumpur during normal business hours for a period of fourteen (14) days from the date of this announcement.

This announcement is dated 2 January 2013.