

TOMYPAK HOLDINGS BERHAD

(Company No. 337743 W)

(Incorporated in Malaysia)

MINUTES OF THE TWENTY SECOND ANNUAL GENERAL MEETING OF THE COMPANY HELD AT MELATI HALL, PALM RESORT GOLF & COUNTRY CLUB, JALAN PERSIARAN GOLF, OFF JALAN JUMBO, 81250 SENAI, JOHOR ON THURSDAY, 18TH MAY 2017 AT 9.30 A.M.

- PRESENT** : As per attendance sheet
- IN ATTENDANCE** : Ms Ang Mui Kiow (Company Secretary)
- CHAIRMAN** : The Chairman, Tan Sri Dato' Seri Arshad Bin Ayub welcomed all those present at the Twenty Second Annual General Meeting.
- The Chairman then proceed to declare the meeting open and called upon the Secretary, Ms Ang Mui Kiow to present the proxies and confirm the quorum.
- PROXIES AND QUORUM** : The Secretary reported that the Company has received proxies totalling 92.3 million shares representing approximately 55.4% of the Company's total number of issued shares. She further confirmed that in accordance with the provisions of Regulation 61 of the Company's Constitution, the Company has a quorum for the meeting.
- Having noted the presence of a quorum, the Chairman then called the meeting to order.
- NOTICE OF MEETING** : On the proposal of the Chairman and there being no objections from the floor, the Notice convening the meeting which had been circulated with the Annual Report was taken as read.

ENQUIRIES FROM THE MINORITY SHAREHOLDERS WATCHDOG GROUP

The Chairman informed the shareholders present at the meeting that the Company had on 12 May 2017 received a letter dated 11 May 2017 from the Minority Shareholders Watchdog Group ("MSWG") seeking further clarification on matters relating to strategic, financial and corporate governance.

Mr Yong Kwet On was invited to address the matters raised by MSWG and the clarifications given were as per the appendix enclosed herewith.

POLL VOTE

The Chairman informed the shareholders that all resolutions to be considered at the Meeting will be by way of poll and the poll voting slip had been given to the shareholders upon registration. The shareholders may cast their votes after all the resolutions have been tabled for consideration.

The secretary will brief the shareholders on the polling procedures before the casting of vote. The results of the polling will be announced at the end of this meeting upon the verification by the independent scrutineer, Mr. Chandra Sekran from Abdullah & Zainuddin.

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ORDINARY BUSINESS:

1. FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

The Chairman explained that the Audited Financial Statements for the year ended 31 December 2016 which have been approved by the Board and circulated to shareholders were tabled before the meeting for discussion only.

The Chairman also informed that in accordance with the provision of Section 340(1)(a) of the Companies Act 2016, the Audited Financial Statements for the year ended 31 December 2016 do not require a formal approval of the shareholders and hence is not put forward for voting. However, the Board would be pleased to deal with any question from the shareholders pertaining to the audited financial statements.

The questions from shareholders and responses from directors were noted as follows:

(a) Question 1:

Further to the questions raised by MSWG, do you foresee the increase in production capacity at the Senai new plant will give rise to potential increase in demand/request from existing customers that could potentially result in significant increase in sales?

Answer:

Mr Lim Hun Swee clarified that the demand from both the existing and new customers is expected to increase but will not be significant in the next one year as it takes approximately 9 to 12 months for the order and delivery of new machine follow by another 2 to 3 months for machine installation and trial run before commercial production. Hence, it will takes approximately one year to stabilise.

(b) Question 2:

What is the main role and impact of the subsidiary set up in Singapore?

Answer:

Mr Lim Hun Swee informed that the Singapore subsidiary is a Sales Office and served as a platform for Tomypak Group to go overseas.

(c) Question 3:

As disclosed in the Chairman's Statement, Tomypak was one of the 280 listed issuers selected by Bursa Malaysia for review and assessment on compliance with Corporate Governance disclosures. It was noted that Tomypak was rated below the average scores achieved by the 280 sample listed issuers for some of the principles. Can you clarify more on this matter?

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Answer:

Mr Tan See Yin explained that Bursa Malaysia carry out such review every year and Tomypak was part of the 280 sample companies selected. The rating is against these 280 sample companies and can be very subjective. Tomypak has taken note of Bursa Malaysia's assessment and also taken steps to address the areas that require improvements. Mr Tan also highlighted that the disclosures in the 2016 Annual Report have improved as compared to past years.

The Audited Financial Statements for the year ended 31 December 2016 together with the Reports of the Directors and Auditors were duly received by the shareholders.

2. DIRECTORS' FEES OF RM435,000.00 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The Chairman invited a proposer and a seconder for Resolution 1 in respect of the approval of Directors' fees of RM435,000.00 for the financial year ended 31 December 2016.

Resolution 1 was proposed and seconded by shareholders.

3. DIRECTORS' BENEFITS UP TO AN AMOUNT OF RM120,000.00 FOR THE PERIOD FROM 1 JANUARY 2017 UNTIL THE NEXT ANNUAL GENERAL MEETING OF THE COMPANY

The Chairman invited a proposer and a seconder for Resolution 2 in respect of the approval of Directors' benefits to the Directors of the Company and its subsidiaries up to an amount of RM120,000.00 for the period from 1 January 2017 until the date of the next Annual General Meeting of the Company.

Resolution 2 was proposed and seconded by shareholders.

4. RE-ELECTION OF RETIRING DIRECTORS

The Chairman informed the shareholders that the retiring directors were Mr Chin Cheong Kee @ Chin Song Kee and Mr Yong Kwet On and the resolutions for their re-election would be voted on individually.

- (a) The Chairman invited a proposer and a seconder for Resolution 3 that Mr Chin Cheong Kee @ Chin Song Kee retiring pursuant to the Company's Constitution be re-elected as a director of the Company.

Resolution 3 was proposed and seconded by shareholders.

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4. RE-ELECTION OF RETIRING DIRECTORS – cont.

- (b) The Chairman invited a proposer and a seconder for Resolution 4 that Mr Yong Kwet On retiring pursuant to the Company's Constitution be re-elected as a Director of the Company.

Resolution 4 was proposed and seconded by shareholders.

5. RE-APPOINTMENT OF RETIRING AUDITORS

The Chairman informed that the retiring auditors, Messrs KPMG PLT have expressed their willingness to accept re-appointment.

The Chairman invited a proposer and a seconder for Resolution 5 that the retiring auditors, Messrs KPMG PLT be re-appointed as auditors of the Company for the financial year ending 31 December 2017 and that the Directors be authorised to determine their remuneration.

Resolution 5 was proposed and seconded by shareholders.

SPECIAL BUSINESS:

6. EMPOWER DIRECTORS TO ISSUE SHARES PURSUANT TO SECTION 75 AND SECTION 76 OF THE COMPANIES ACT, 2016

The Chairman invited a proposer and a seconder for Resolution 6 empowering the Directors of the Company to issue shares pursuant to Section 75 and Section 76 of the Companies Act, 2016.

Resolution 6 was proposed and seconded by shareholders.

7. RENEWAL OF SHAREHOLDERS' APPROVAL FOR SHARE BUY-BACK

The Chairman invited a proposer and a seconder for Resolution 7 on the Company's proposed renewal of shareholders' approval for share buy-back.

Resolution 7 was proposed and seconded by shareholders.

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8. RETENTION OF INDEPENDENT DIRECTOR, TAN SRI DATO' SERI ARSHAD BIN AYUB

The Chairman invited Mr Yong Kwet On to assist him in chairing the resolution pertaining to his retention as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012.

Mr Yong Kwet On invited a proposer and a seconder for Resolution 8 that Tan Sri Dato' Seri Arshad Bin Ayub be retained as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012.

Resolution 8 was proposed and seconded by shareholders.

Mr Yong Kwet On then passed the chair to Tan Sri Chairman for the subsequent conduct of the Meeting.

9. VOTING BY POLL

As Resolution 1 to 8 have been proposed and seconded by shareholders, the Chairman invited the company secretary to brief the shareholders on the polling procedures before they cast their votes for all the resolutions tabled at the Annual General Meeting ("AGM").

Shareholders took a short break for light refreshment while waiting for the Poll Administrator and the Independent Scrutineer to compile and validate the results of the poll.

Shareholders returned to the meeting room for the announcement of polling results.

The Chairman announced that all the 8 resolutions set out in the notice of the 22nd AGM were duly passed with 100% voted in favour for all resolutions.

10. TERMINATION

In response to the Chairman's enquiry, the Secretary informed the Meeting that no notice of any other business for transacting at the meeting has been received. There being no other matter, the Chairman thanked the shareholders for their attendance and declared the meeting closed at 10.20 a.m.

CONFIRMED AND SIGNED AS A CORRECT RECORD



Tan Sri Dato' Seri Arshad Bin Ayub
Chairman

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**REPLY TO THE ENQUIRIES RAISED BY THE MINORITY SHAREHOLDER
WATCHDOG GROUP (“MSWG”) VIA MSWG’S LETTER DATED 11th MAY 2017**

Strategy and Financial Matters

1 We noted in the Chairman’s statement that two additional printing lines and laminating equipment will be purchased progressively over the next 3 years, which will ultimately double Tomypak Group production capacity.

(i) What would be the expected CAPEX to be incurred in the next 2 years for the purchase of additional equipments for the Group’s expansion ?

Answer:

As part of Tomypak’s expansion program, a range of more advanced production equipment ranging from printing to lamination to slitting machines as well as other ancillary equipment, will be purchased over the next 2 to 3 years, the exact timing of purchase of these equipment will be determined by operational requirements. The total amount to be invested is approximately RM60 million.

(ii) How would the Group finance the purchase of the additional equipments ?

Answer:

The purchase of the additional equipment will be financed from internal funds and loan from banks.

(iii) What would be the expected optimum level of production capacity that would enable the Group to realise its targeted global market share ?

Answer:

When the new plant is fully equipped, the overall production capacity of the Tomypak Group will increase to 40,000 Metric Tonnes per year.

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- (iv) What are the current capacity utilization rates for both plants in Tampoi and Senai ?**

Answer:

The current utilization of production capacity in Tampoi plant is around 70% to 75%.

Tomypak obtained the “CCC” of the Senai plant at month end of March 2017. The first new printing machine commenced operation in April 2017 whilst the new lamination machine is being installed and commissioned. Both of these machines will be fully operational by the second half of 2017. We expect the new production lines to be operating at between 75% to 85% of their rated capacities in the initial years.

- 2 The export sales had reduced by 4.7% from RM117.1 million in FY2015 to RM111.5 million in FY 2016.**

- (i) What were the reasons for the decline of export sales since FY 2015 ?**

Answer:

Export sales have contributed approximately 50% of Tomypak’s total revenue over the immediate past few years. The sales revenue depends on the purchase order from customers. In FY 2016, some customers reduced the purchase order, but, some have also increased their orders; very much dependent on their respective production requirements.

- (ii) What measures have been taken by the management to address the decline ?**

Answer:

One of the key steps taken by the management is to source for new customers, both locally and internationally. In FY2016, the number of customers (both local and overseas) increased by 8%.

Another key step taken by the management is to secure additional new contract from existing customers or from existing group of companies which are located in other countries which the Tomypak Group is currently not servicing.

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(iii) When would the Group expect to resume its growth in export sales ?

Answer:

When new plant commences full commercial operation in 2nd half of 2017 with both of the new printing and lamination machine fully operational then, management expects sales to both local and export market to increase.

3 We noted that unfavourable foreign exchange effect was one of the reasons for the decline of the Group’s profit before tax.

(i) To what extent is the Group carrying out hedging transactions ?

Answer:

Approximately 50% of Tomypak’s sales are in USD. 75% to 80% of Tomypak’s raw materials purchases are in USD. There is therefore a natural hedge. As such, Tomypak does not practice the hedging of currency. The total receipts in foreign currency is used to match with the purchases denominated in the same foreign currency.

(ii) What percentage of the exports are in forward sales vis-a-vis spot sales ?

Answer:

Tomypak has supply contracts with certain major customers. The actual deliveries of Tomypak’s products are on the basis of submission of purchase order by these customers to Tomypak.

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4 We refer to Note 18 on page 98 of the Annual Report 2016 which states that 51.5% of the Group’s sales was attributed from a major customer. We also noted that the Group had significant concentrations of credit risk arising from amounts due from three major customers, representing 68% of the Group’s and the Company’s trade receivables.

(i) **Is there a concern on the concentration risk in the Group’s portfolio of customers ?**

Answer:

Our Risk Management Committee reviews such risk on a regular basis to insure that appropriate mitigating actions are constantly being undertaken proactively by Management. In addition, the full management accounts, which include the aging and collection profile of major customers, are also presented and reviewed vigorously by the Board of Directors at every BOD Meeting.

Operationally, Management are of the view that such risk are well managed due to the long standing strong business relationship that Tomypak has developed with these world renowned multinationals who are some of the largest food manufacturers in the world, and are public listed company with strong financial position.

(ii) **How would the board manage this significant risk of concentration ?**

Answer:

The Risk Management Committee as well as the BOD reviews such risk at the quarterly BOD meeting. The sales revenue and the collection from all major customers are presented to the BOD. Any potential uncollectable debts or the debts with longer collection period than normal will be highlighted to the BOD together with proposed appropriate corrective actions. Since the commencement of the business relationship with these three major customers, there has been no significant collection issues from them.

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- 5 Please share on the activities of the in-house innovation developed by the new R & D team and please enlighten the shareholders on how the Group could capitalise on this development, going forward.**

Answer:

Presently, the R & D team is focusing more on activities that will enhance the overall productivity of the Tampoi factory as well as the realignment strategies of the 2 factories so as to achieve maximum and is working very closely with the production team to further enhance operational cost reductions including further reduction in wastages, savings in utilities, more efficient management of raw materials and consumables, improving turnaround time, and improvement in the overall quality control of the production process such as by improving the quality control processes and installing on-line inspection system.

Corporate Governance

- 1. We noted that the non-audit fee of the Group for FY2016 is more than 50% of total auditors’ remuneration. Could the Board provide the nature of the non-audit fee? Is there any policy on non-audit services provided by the external auditors?**

Answer:

The non-audit fees paid to the external auditors for FY2016 are primarily fees paid for the corporate exercise carried out by Tomypak with regards to the rights issue, which was completed end June 2016, as well as fees paid for tax services provided in FY2016.

There is no policy with regards to non-audit services to be provided by the external auditors.

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2. **According to Section (23)(e), Part A of Appendix 9C of Bursa Malaysia’s Main Market Listing Requirements, the company is required to disclose names of the 30 securities account holders having the largest number of securities from each class of equity securities and convertible securities. We noted the Company did not disclose the top 30 warrant holders in its Annual Report 2016. Please explain.**

Answer:

We note and acknowledge that the Company has inadvertently omitted the disclosure on the analysis of warrant holdings in the Company’s Annual Report 2016. Our Company Secretary has announced the addendum to the Annual Report 2016 in relation to the analysis of warrant holdings as at 31st March 2017 on 16th May 2017. The Company will make available copies of the analysis of warrant holdings as at 31st March 2017 to shareholders who will be attending the Company’s Annual General Meeting on 18th May 2017. A copy of said analysis of warrant holdings is enclosed for your reference.

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THE SUMMARY OF KEY MATTERS DISCUSSED AT THE TWENTY SECOND ANNUAL GENERAL MEETING OF THE COMPANY HELD AT MELATI HALL, PALM RESORT GOLF & COUNTRY CLUB, JALAN PERSIARAN GOLF, OFF JALAN JUMBO, 81250 SENAI, JOHOR ON THURSDAY, 18TH MAY 2017.

The following questions were raised by the shareholders present at the 22nd Annual General Meeting of the Company and the responses from directors were noted as follows:

- (a) Question 1:
Further to the questions raised by MSWG, do you foresee the increase in production capacity at the Senai new plant will give rise to potential increase in demand/request from existing customers that could potentially result in significant increase in sales?

Answer:

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