



TOMYPAK HOLDINGS BERHAD
(COMPANY NO. 337743-W)

A N N U A L 2 0 1 7 R E P O R T

contents

CORPORATE REVIEW

- 2** Corporate Information
- 4** Company Profile
- 6** Chairman Report
- 12** Profile of Directors
- 16** Management Discussion and Analysis
- 22** Corporate Governance Overview Statement
- 37** Audit Committee Report
- 41** Statement on Risk Management and Internal Control
- 45** Sustainability Report
- 50** Five Years' Financial Highlights and Financial Indicators

FINANCIAL STATEMENTS

- 53** Directors' Report
- 60** Statements of Financial Position
- 61** Statements of Profit or Loss and Other Comprehensive Income
- 63** Consolidated Statement of Changes in Equity
- 66** Statement of Changes in Equity
- 68** Statements of Cash Flows
- 70** Notes to the Financial Statements
- 113** Statement by Directors
- 113** Statutory Declaration
- 114** Independent Auditors' Report

OTHER INFORMATIONS

- 119** Analysis of Shareholdings
- 122** Analysis of Warrant Holdings
- 125** Share Buy-Back Statement
- 133** Particulars of Properties
- 134** Notice of Annual General Meeting
- 140** Statement Accompanying Notice of Twenty Third Annual General Meeting

Proxy Form



CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman, Independent Non-Executive Director

Tan Sri Dato' Seri Utama Arshad Bin Ayub

Independent Non-Executive Directors

Mr. Chin Cheong Kee @ Chin Song Kee

To' Puan Rozana Binti Tan Sri Redzuan

Executive Directors

Mr. Lim Hun Swee

Mr. Tan See Yin

Non-Independent Non-Executive Director

Mr. Yong Kwet On

AUDIT COMMITTEE

Chairman

To' Puan Rozana Binti Tan Sri Redzuan

Members

Tan Sri Dato' Seri Utama Arshad Bin Ayub

Mr. Chin Cheong Kee @ Chin Song Kee

REMUNERATION COMMITTEE

Chairman

Tan Sri Dato' Seri Utama Arshad Bin Ayub

Members

Mr. Chin Cheong Kee @ Chin Song Kee

Mr. Yong Kwet On

To' Puan Rozana Binti Tan Sri Redzuan

NOMINATION COMMITTEE

Chairman

Tan Sri Dato' Seri Utama Arshad Bin Ayub

Members

Mr. Chin Cheong Kee @ Chin Song Kee

Mr. Yong Kwet On

To' Puan Rozana Binti Tan Sri Redzuan

RISK MANAGEMENT COMMITTEE

Chairman

Mr. Chin Cheong Kee @ Chin Song Kee
(Appointed on 18 May 2016)

Members

Mr. Tan See Yin

To' Puan Rozana Binti Tan Sri Redzuan
(Appointed on 18/5/2017)

Mr. Liew Chek Leong
(Executive Director of Tomypak Flexible Packaging Sdn Bhd)
(Ceased on 1/3/2018)

Mr. Ng Jit Sing
(Executive Director of Tomypak Flexible Packaging Sdn Bhd)
(Appointed on 2/4/ 2018)

Saw Ser Chyang
(Factory Manager of Tomypak Flexible Packaging Sdn. Bhd.)

INVESTMENT AND DEVELOPMENT COMMITTEE

Chairman

Mr. Yong Kwet On

Members

Mr. Lim Hun Swee

Mr. Tan See Yin

Mr. Chin Cheong Kee @ Chin Song Kee

Mr. Liew Chek Leong
(Executive Director of Tomypak Flexible Packaging Sdn Bhd)
(Ceased on 1/3/ 2018)

Mr. Ng Jit Sing
(Executive Director of Tomypak Flexible Packaging Sdn Bhd)
(Appointed on 2/4/ 2018)

EMPLOYEES' SHARE OPTION SCHEME ("ESOS") COMMITTEE

Chairman

To' Puan Rozana Binti Tan Sri Redzuan

Members

Mr. Lim Hun Swee

Mr. Chuan Teik Boon
(Sales and Marketing General Manager of Tomypak Flexible Packaging Sdn Bhd)

Mr. Liew Chek Leong
(Executive Director of Tomypak Flexible Packaging Sdn Bhd)
(Ceased on 1 March 2018)

Mr. Ng Jit Sing
(Executive Director of Tomypak Flexible Packaging Sdn Bhd)
(Appointed on 2/4/ 2018)

CORPORATE INFORMATION (CONT'D)

REGISTERED OFFICE

Suite 7E, Level 7, Menara Ansar
 65, Jalan Trus
 80000 Johor Bahru
 Johor Darul Ta'zim

Tel: 07-2241035
 Fax: 07-2210891

PRINCIPAL PLACE OF BUSINESS

Head Office & Main Factory:

PTD 109476
 Jalan Cyber 4,
 Mukim of Senai,
 District of Kulai,
 Johor Darul Ta'zim

Factory 2:

No.11, Jalan Tahana
 Kawasan Perindustrian Tampoi
 80350 Johor Bahru
 Johor Darul Ta'zim

Tel: 07-2378585
 Fax: 07-2378575

Marketing & Sales Office:

736, Level 7, Block A,
 Kelana Centre Point,
 No. 3, Jalan SS7/19,
 Kelana Jaya
 47301 Petaling Jaya,
 Selangor, Malaysia

Tel: 03-7880 4233
 Fax: 03-7880 7233

SUBSIDIARIES

Tomypak Flexible Packaging Sdn
 Bhd
(Wholly owned)

Tomypak Flexible Packaging (S)
 Pte Ltd
(70% owned)

COMPANY SECRETARIES

Madam Ang Mui Kiow
 (LS 0001886)

Madam Tai Yit Chan
 (MAICSA 7009143)

SHARE REGISTRAR

Boardroom Corporate Services
 (KL) Sdn Bhd (3775-X)
 Lot 6.05, Level 6
 KPMG Tower, 8 First Avenue
 Bandar Utama
 47800 Petaling Jaya
 Selangor Darul Ehsan

Tel: 03-77201188
 Fax: 03-77201111

AUDITORS

KPMG PLT
 Chartered Accountants
 Level 3, CIMB Leadership
 Academy,
 No.3, Jalan Medini Utara 1,
 Medini Iskandar,
 79200 Iskandar Puteri
 Johor Darul Ta'zim

Tel: 07-2978687
 Fax: 07-2968687

PRINCIPAL BANKERS

United Overseas Bank (Malaysia)
 Berhad

RHB Bank Berhad

OCBC Bank (Malaysia) Berhad

HSBC Bank Malaysia Berhad

Oversea-Chinese Banking
 Corporation Limited

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
 Securities Berhad
 Sector : Industrial Products
 Stock Name : Tomypak
 Stock Code : 7285

WEBSITE ADDRESS

<http://www.tomypak.com.my>

COMPANY PROFILE



Tomypak Holdings Berhad (“Tomypak”) is one of the leading converters for flexible packaging materials in Malaysia. Since its incorporation in 1979 and listing on the main board of the Bursa Malaysia in 1996, Tomypak Holding Berhad and its subsidiaries (“Tomypak Group” or “Group”) has grown from strength to strength. The Tomypak Group is a firm believer in innovation, insuring quality of the highest standards, and is a firm believer in adopting latest technologies and facilities not only to ensure it meets customers’ requirements and expectations in terms of quality, but will also ensure Tomypak Group long term success and sustainability. Tomypak is the first flexible packaging material company in Malaysia certified with HACCP (Hazard Analysis Critical Control Point for food safety), which it initially secured in 2003.

Tomypak’s strength is derived not only from the adoption of latest technology, but from its more than 370 experienced and dedicated employees working harmoniously together with excellent team work. The Group is focussed on consistent quality and timely delivery to ensure long term relationships, trust and continuous support from our customers.

COMPANY PROFILE (CONT'D)

GROUP VISION

- To be the leader of high barrier vacuum metallising packaging materials in our chosen market.

GROUP MISSION

To be the leading flexible food packaging materials company in Malaysia:

- through the provision of cost effective high barrier vacuum metallised film laminates by maximising the use of leading edge technologies in vacuum metallising process
- through the provision of innovative technical support and solutions to meet the packaging requirements of our customers
- by ensuring adequate production capacity and facilities to meet market demands at all times

QUALITY ASSURANCE AND CERTIFICATION

Tomypak Group places utmost importance on the quality of the products it supplies to its valued customers. At Tomypak Group, quality assurance is achieved and

consistently maintained and upgraded, through the Group's focus not only on its facilities and machineries, but also on upgrading the skills of its people. This is complemented through the setting up of well-equipped laboratories for continuous improvements, and highly specialised latest technologies such as High Resolution Camera Inspection Units, Control Panels and Settings for Inspection as well as Tagging for Uncertainty and Non-Conforming Goods. All such technologies allow for the supply of products that meets the high quality standards demanded by our customers.

In addition, the Group is deeply committed to its long standing tradition of achieving international certifications to increase its competitiveness, quality and to enhance customer confidence. Some of the more pertinent certification are:

- Food Safety System Certification 22000 (FSSC 22000) in 2015
- HACCP Certification by Lloyd's Register since 2003
- Raw Materials compliance to global food safety standards such as US Food & Drug Administration, European Community (EC) Requirements, Singapore Food Act, and Malaysia Food Act
- Advanced laboratory test equipment complies to global test methods such as ASTM to support R&D and Quality Control activities



CHAIRMAN REPORT

**TAN SRI DATO' SERI UTAMA
ARSHAD BIN AYUB**
*Chairman,
Independent Non-Executive Director*



Dear Valued Shareholders

On behalf of the Board of Directors, I am pleased to present to the shareholders of Tomypak Holdings Berhad (“Tomypak or the Company”) this Annual Report and Financial Statements of Tomypak and its subsidiaries (“Tomypak Group or The Group”) for the financial year ended 31 December 2017 (“FY 2017”).

CHAIRMAN REPORT (CONT'D)

THE YEAR IN REVIEW

FY 2017 marked the 37th year that the Tomypak Group has been in operation since it first commenced business, and 22 years since Tomypak was listed on the Bursa Malaysia. It has been a phenomenal journey which will now be taken to the next phase with the on-going expansion that the Tomypak Group is undergoing.

The on-going expansion program will provide the Tomypak Group with the base for the next phase of growth with the Group capacity poised to grow by 100% when all equipment are fully installed and operational, and along with this increase in capacity, we expect growth in sales and profitability. As is in any new development, particularly such as the current development undertaken by the Tomypak Group in 2016 and expected to be completed by early 2019, there will be some temporary set-back effect in the initial period whereby the company, particularly its human resources, will have to be increased and will require time to familiarise and regularise the operations, including culture change. As is often said... "no pain no gain". This initial setback in FY 2017 is only temporary as going forward when the additional capacity of the new plant comes on stream, the Tomypak Group will be able to generate additional revenue and margin to cover additional overheads resulting from this expansion program. Your board is confident that the Tomypak Group will continue to improve its financial performance.

SHAREHOLDERS' VALUE CREATION IN FY 2017



CHAIRMAN REPORT (CONT'D)

FY 2017 has been an exciting year for Tomy Pak Group as we have successfully completed the construction of our new factory cum headquarter in Senai, to supplement our existing facility in Tampoi which first commenced operations in 1989. This brand new facility, which sits on a 10.5 acres piece of freehold land and a gross built up floor area of 328,000 sq ft, will provide the Tomy Pak Group with a combined built up floor area of 478,000 sq ft of physical space to grow its business over the next few years uninterrupted.

I am very pleased to advise that we received the Certificate of Completion and Compliance from the local authority on 28th March 2017. Since then, we have also successfully installed and commissioned our eighth printing line and our sixth laminating line, an extrusion laminating line, together with supporting ancillary equipment such as slitters and bags making equipment. We commenced commercial operation of the new printing line in May 2017, albeit on a very low scale as we run in this new printing line before commencing full operation towards the end of 2017. The new laminating line went into start up commercial operation in June 2017, together with two other dry solvent free laminating lines.

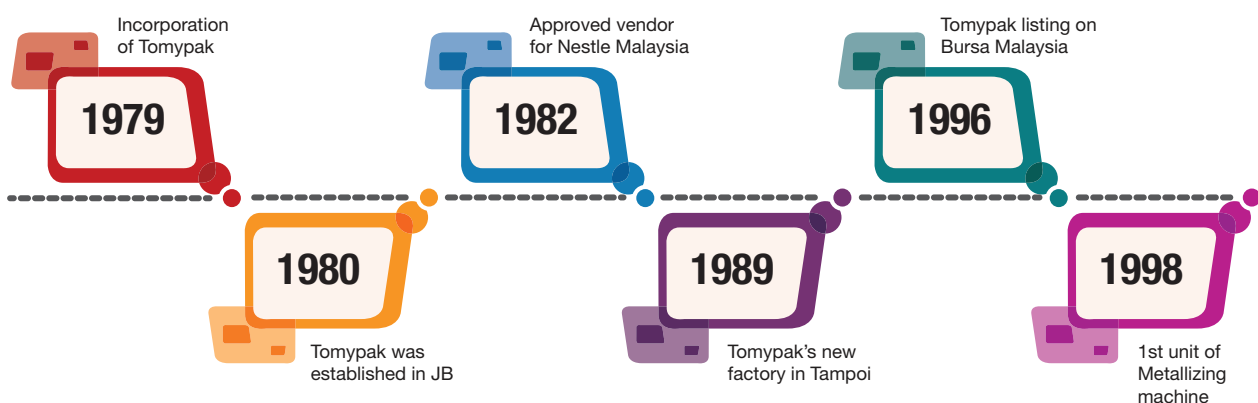
Since then, we have also received delivery of two other major equipment; a new film casting plant ("CPP") with the necessary ancillary equipment, was delivered in Q4-2017 and has since been installed in this new facility and will commence low commercial operation in May 2018, whilst the ninth printing line was delivered in February 2018 and is currently being installed and is expected to be ready for commercial operation towards the end of Q2-2018. We have placed order for the tenth printing line which is expected to be delivered, installed and commence low commercial operation by end of FY 2018

or early Q1-2019. An additional laminating line will also be added to complement these new printing lines and this new tandem dry laminating line will be delivered towards Q4-2018. A jumbo slitting machine has also been delivered in April 2018 to support the CPP line.

These new complements of latest technologies and equipment together with our existing equipment in our Tampoi plant will enhance the overall capabilities and capacities of your Group in servicing our wide ranging customers and expanding markets more efficiently.

The increase in operational floor areas will also allow us to realign the equipment and production flow in both our Tampoi and Senai plants to improve our overall production efficiencies and allow us to have better resiliency to serve our customers without any interruptions. Whilst minor realignment has been effected, another review of the proposed major realignment of the equipment will be undertaken in Q1-2019, when all the new equipment are in place and operational. We foresee that even after all the realignment, we will still have sufficient factory space to add on more equipment as and when we need them.

In line with the expected growth in business volume, a larger and better organised warehouse was also built in the Senai plant. In addition to this purposed built warehouse, we also undertook a separate review in late 2017, and has in early 2018 increased storage space for intermittent work-in-progress as well as finished goods pending shipment to customers. A total of 2,500 sq ft space was further added from existing space through value engineering, and as a result, we have now completely eliminated the need for external storage space leased from third parties. We have also installed more efficient storage systems for our major critical and expensive raw materials, especially resins, which will



CHAIRMAN REPORT (CONT'D)

not only result in lower cost of production but will also maintain the inherent quality of our raw materials and intermittent work in progress, thereby enhancing the quality of our finished products.

Such infrastructure investments will bring to the Tomy Pak Group not only better efficiencies but will eventually be translated into better operational margins and profitability.

To support the increase in our capacities, your Board also take cognizance of the importance of improving and enhancing the human resource capabilities as well as back-end support systems via further computerization.

The recruitment as well as upgrading of existing employees are on-going with several collaboration with local universities to source for additional suitably qualified technical staff on going. This upgrading process is important as the latest equipment are more technical and fully computerized. Initial steps have also been taken to upgrade the IT systems and hardware to improve speed and accuracy of generating relevant information for costing, procurement, production planning, sales management and financial management. More software will be added to further computerise operations so as to facilitate more expedient processing and reporting of critical production, operational and financial information for more efficient decision making.

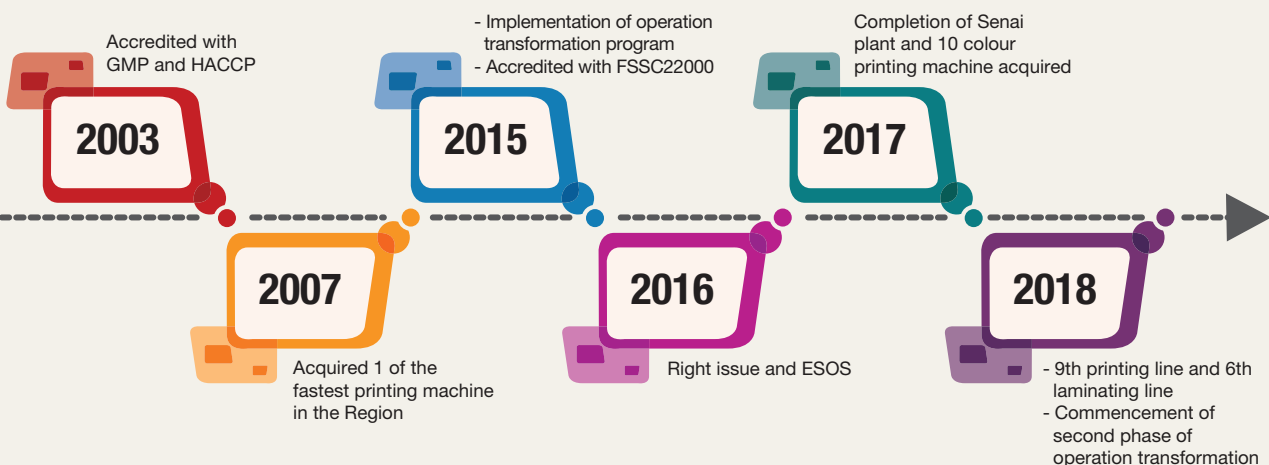
FINANCIAL PERFORMANCE

Whilst the financial results for FY 2017 has been below the expectations of the Board, FY 2017 has nevertheless been a year where Tomy Pak continued to be profitable, albeit lower than the profits achieved in FY 2016.

For FY 2017, the Tomy Pak Group registered slightly lower revenue of RM204.3 million against RM210.9 million achieved in the prior year, a marginal decrease of 3.1%. This is commendable given the continuing difficult operating macro environment as we faced more intense competition from multinational competitors setting up operations in the region, as well as from the interruptions experienced as the result of commencement of operations in our new plant in Senai. We view this setback as only temporary and is confident that once all the equipment are fully installed and commissioned, we will return better results for our shareholders.

We are also unperturbed with the entry of new competition in the region as we believe that the market for flexible packaging, especially for food and beverage industry which is our area of strength, is still on a strong growth trend with enough opportunities for all players in this sector. We will continue to focus on our immediate strategy of widening our customer base, both international and domestic, instead of being over dependent on selected customers as was in the past. The number of customers during the FY 2017 increased by 7% and we continue to engage with potential new customers which we believe will be successfully converted to business opportunities in the immediate future. At the same time we also have been actively engaging with existing customers to increase our offerings to these customers especially when we have all our latest equipment installed and fully operational.

For FY 2017, local sales accounted for RM103.5 million representing 50.6% of total sales, whilst export sales accounted for the balance of RM100.8 million. In terms of volume of finished goods shipped to our global customers, the total volume delivered to our customers slightly reduced to 12,212 metric tonnes in FY 2017 from



CHAIRMAN REPORT (CONT'D)

12,833 metric tonnes in FY 2016, a reduction of 4.8%. Average selling price per kilogram has decreased in FY 2016 due to the product mix delivered to customers.

Whilst revenue decreased marginally, our profit before tax ("PBT") however decreased from RM23.21 million to RM9.80 million. This is due mainly to higher cost of goods sold for FY 2017. Additional financing cost were also incurred to fund the expansion. Furthermore, in our strategy to retain, attract and reward talents, the Employee Share Option Scheme ("ESOS") which was implemented in FY 2016 resulted in another one off ESOS expense write off of RM1.0 million. The operation of two plants while the additional capacity are being added also led to higher overheads which will only be fully absorbed when both plants are fully operational in FY 2019

Profit after tax ("PAT") also decreased, but by a much lower percentage as a result of higher reinvestment tax allowances. derived from our continuing investment in FY 2017. PAT decreased by 26% in FY 2017 as compared to FY 2016, from RM18.38 million to RM13.55 million.

From Earnings Before Interest and Tax ("EBITA") perspective, our EBITA was still relatively healthy at RM25.6 million for FY 2017 as compared to RM36.2 million for the prior year, a decrease of 29.3%.

Despite the lower profit after tax, our financial position remains strong and healthy. Total Shareholders' Funds at the end of FY 2017 stood at RM194.7 million or RM0.46 per share. Operationally, the Tomypak Group continues to generate healthy net operating cash flow of RM17.0 million for the financial year under review.

In addition to rewarding our loyal shareholders via quarterly dividend pay-outs, the profit has also been reinvested into the new plant in Senai to boost our capacity and to ensure better future returns to our shareholders. The Debt Equity ratio still remains healthy despite an increase in loans drawn down to fund our expansion program. As at the end of FY 2017, the Tomypak Group's combined short term loans (comprising mainly of working capital facilities) and long term loans stood at RM50.77 million, whilst cash and cash equivalent was at RM10.5 million. Long term loan stood at RM24.5 million as at the year-end of FY 2017 as compared to RM19.9 million as at end of prior financial year, due to draw down of loans to purchase new equipment for the Senai plant. The Tomypak Group financial position remains healthy with debt equity ratio at only 0.26 times.

More discussions on the financial performance and financial position of the Tomypak Group can be found on pages 16 to 21, under Management Discussion and Analysis.



SIGNIFICANT CORPORATE DEVELOPMENT

In FY 2017, the following corporate exercise was carried out:

- 1) a share split involving the subdivision of every 1 existing ordinary share in Tomypak ("Share") into 2 ordinary shares in Tomypak ("Subdivided Shares") held by shareholders of the Company; and
- 2) a proposed bonus issue of 1 bonus share for every 4 Subdivided Shares.

The above share split exercise was undertaken to make Tomypak share more affordable, thus potentially encouraging more retail participation. The bonus issue was to reward the existing shareholders of the Company for their loyalty and continuing support, by enabling them to have a greater participation in the equity of the Company in terms of number of Shares held, whilst maintaining their percentage of equity interest.

The bonus issue also increased the Company's capital base to a level which would be more reflective of the current scale of operations and assets employed by Tomypak Group.

CHAIRMAN REPORT (CONT'D)

The above corporate exercise was completed on 6th June 2017.

DIVIDENDS

Your Board continues to place utmost importance in creating value for our loyal shareholders. In addition to the completed corporate exercise to split the shares as well as to give bonus shares to our shareholders, the company continued to distribute a substantial proportion of the profits generated in FY 2017 as dividends to our shareholders.

For FY 2017, including the latest interim dividend declared in February 2018, your company announced a pay-out of 2.0 sen dividend per share prior to the share split and bonus issue, and a total 1.8 sen post share split and bonus issue. The total dividends paid amounted to a RM10.9 million for FY 2017 (RM12.1 million for FY 2016) or 80.4% of its PAT, surpassing the Tomypak Group's dividend policy of distributing at least 40% of the Tomypak Group's net profit for the year to shareholders.

CORPORATE GOVERNANCE & BOARD COMMITMENT

Your board is also well aware of the need to continually upgrade the Tomypak Group adherence and compliance with Corporate Governance principles set by Bursa Malaysia under the Bursa Malaysia Listing Requirements for listed companies. In this respect your Board continuously undertake review to ensure that we fully comply or even exceed the recommendations of the various authorities. An overview write-up on Corporate Governance Statement is attached to page 22 to 36 of this annual report while our detailed Corporate Governance Report can be viewed on our website, www.tomypak.com.my

SUSTAINABILITY

Tomypak is well aware of and subscribes to the fact that while its primary focus is to increase the value to shareholders, we must achieve this objective responsibly with due care and focus on areas such as the environment, ensuring a better and safer working environment for our employees, and contributing back to society at large. A more comprehensive holistic update on the Tomypak Group's efforts in ensuring sustainability is presented in our Sustainability Report on page 45 to 48 in this annual report.

Tomypak is committed to achieving the triple bottom line of a sustainable business – economic, environmental and social. We strive to ensure that our operations

create a positive impact to the community, environment, and that we conduct our business with integrity to ensure its long-term sustainability. Since 2016, we have undertaken strategic steps to strengthen and broaden our sustainability initiatives and with effect from 2018, we have now incorporated this crucial function into a specific position within our organisation structure to manage this crucial activity full time.

APPRECIATION

I would also like to take this opportunity to express the Board's sincere thanks and appreciation to all our partners and stakeholders; our valued customers, our loyal shareholders, governmental and regulatory authorities, our business and trade partners, and financial institutions, for their kind support throughout the year.

Also a very special thank you to our loyal and dedicated staff and management for their continued commitment and dedication especially during this crucial period until our expansion program is fully implemented.

And to my esteemed colleagues on the Board, a very special thanks for your invaluable input and contributions.

I look forward to many more years of great achievements as we build on the momentum of transformation and sustainable growth that has started in FY 2017.

Thank you.

TAN SRI DATO' SERI UTAMA ARSHAD BIN AYUB
CHAIRMAN

APRIL 2018



PROFILE OF DIRECTORS



Front from left to right: **Mr. Yong Kwet On**
Non-Independent Non-Executive Director

Tan Sri Dato' Seri Utama Arshad Bin Ayub
Chairman ,
Independent Non-Executive Director

To' Puan Rozana Binti Tan Sri Redzuan
Independent Non-Executive Director

Back from left to right: **Mr. Lim Hun Swee**
Executive Director

Mr. Tan See Yin
Executive Director

Mr. Chin Cheong Kee @ Chin Song Kee
Independent Non-Executive Director

PROFILE OF DIRECTORS (CONT'D)

TAN SRI DATO' SERI UTAMA ARSHAD BIN AYUB

Independent Non-Executive Director
 Chairman of the Board, Remuneration and
 Nomination Committees and member of the Audit Committee

Nationality	Malaysian
Age	89
Date of Appointment	10 Mar 1996

MR. CHIN CHEONG KEE @ CHIN SONG KEE

Independent Non-Executive Director
 Member of the Audit, Remuneration, Nomination, Risk
 Management and Investment and Development Committees

Nationality	Malaysian
Age	70
Date of Appointment	13 Feb 2009

Tan Sri Dato' Seri Utama Arshad Bin Ayub is the Chairman and Independent Non-Executive Director of the Company since 10 March 1996. The following is the list of directorships:

Malayan Flour Mills Berhad	-	Chairman
Karex Berhad	-	Chairman
Kulim (M) Berhad	-	Director
Top Glove Corporation Berhad	-	Director

Tan Sri also sits on the Board of Directors of several private limited companies amongst others, PFM Capital Holdings Sdn Bhd, Ladang MOCCIS Sdn Bhd, Bistari Johor Berhad and Zalaraz Sdn Bhd.

Tan Sri graduated with a Diploma in Agriculture in 1954 from College of Agriculture, Serdang and pursued his Bachelor of Science degree in Economics with Statistics at the University College of Wales, Aberystwyth in the United Kingdom in 1958 and obtained Diploma in Business Administration from IMEDE Lausanne (now IMD), Switzerland in 1964. He has a distinguished career in the Malaysian Civil Service. Among the top posts he held were First Director, Mara Institute of Technology (1965 – 1975), Deputy Governor of Bank Negara Malaysia (1975 – 1977), Deputy Director-General in the Economic Planning Unit of the Prime Minister's Department (1977 – 1978) and Secretary-General in the Ministry of Primary Industries (1978), Ministry of Agriculture (1979 – 1981) and Ministry of Land and Regional Development (1981 – 1983). Currently, he is the Pro Chancellor of UiTM, Chancellor of KPJ International University College of Nursing and Health Sciences, Chancellor of INTI International University and Governor of Kolej Tuanku Jaafar .

Tan Sri is also appointed as Chairman of the Remuneration and Nomination Committee of the Group. Tan Sri stepped down as Chairman and remained a member of the Audit Committee on 1 September 2016. He has no family relationship with any Director and/or substantial shareholder of the Group. He has no conflict of interest with the group nor convictions of any offences within the past 5 years.

Mr. Chin Cheong Kee @ Chin Song Kee was appointed as an Independent Non-Executive Director of the Company and a member of the Audit Committee since 13 February 2009. Mr. Chin was subsequently appointed as a member of the Risk Management Committee on 14 May 2009, a member of the Remuneration Committee on 22 February 2013, a member of Nomination, Investment and Development Committee on 19 August 2013 and 13 February 2015 respectively. Mr. Chin stepped down as a member from Risk Management Committee on 20 Aug 2015 but was re-appointed as the chairman of the Risk Management Committee on 18 May 2016.

His working career began in 1974 where-upon he spent six years in three international accounting firms as audit senior /supervisor. Thereafter, he moved on to various industries where he held several senior positions in general management and senior financial management field. Overall, he had acquired over 2 decades of experience in the areas of accounting, auditing, treasury, taxation, risk management and company secretarial work in diverse industries. Among the companies he worked for included listed companies and multi-national conglomerate which involved in the various businesses with establishments spread over in Asia, Europe, Africa and United States.

Mr. Chin qualified as a Fellow member of the Association of Chartered Certified Accountants, United Kingdom, a Chartered Accountant of the Institute of Singapore Chartered Accountants and a Chartered Accountant of the Malaysian Institute of Accountants. He also graduated with the professional examinations of the Institute of Chartered Secretaries of Administrators, United Kingdom.

He has no family relationship with any Director and/or substantial shareholder of the group. He has no conflict of interest with the group nor convictions of any offences within the past 5 years.

PROFILE OF DIRECTORS (CONT'D)

TO' PUAN ROZANA BINTI TAN SRI REDZUAN

Independent Non-Executive Director
Member of the Audit, Remuneration,
Nomination and ESOS Committees

Nationality	Malaysian
Age	53
Date of Appointment	1 Apr 2015

To' Puan Rozana Binti Tan Sri Redzuan was appointed as an Independent and Non-Executive Director of the Company on 1 April 2015. To' Puan was a member of the Audit and Remuneration Committees of the Group since 28 May 2015 and was subsequently appointed as the chairman of the Audit Committees on 1 September 2016. To' Puan was also appointed as a member of Nomination Committee of the Group on 20 August 2015 and a member of the ESOS Committee of the Group on 24 November 2015.

To' Puan was subsequently elected as the Chairman of ESOS Committee and appointed as a member of Risk Management Committee on 18 May 2017.

She is a member of the Chartered Association of Certified Accountants (ACCA) and Malaysian Institute of Accountants (MIA).

She was the Chief Executive Officer of Plantation & Development (M) Berhad (P & D), a company listed on Bursa Malaysia, from 1999 to 2003. P & D was involved in plantation activities, property development and construction. She also spearheaded the corporate restructuring of the company. Prior to joining the P & D Group of companies in 1995, she was an accountant with the now defunct accounting firm, Arthur Andersen & Co, and subsequently joined PB Securities Sdn. Bhd., a stockbroking firm. She presently sits on the board of various private companies that are in activities such as mining, IT-related business and property development.

She also sits on the Board of Director of BSL Corporation Berhad.

To' Puan Rozana has no family relationship with any Director and/or substantial shareholder of the Group. There is no conflict of interest in respect of her involvement with the Group and she has not been convicted of any offences within the past 5 years.

MR. LIM HUN SWEE

Executive Director
Managing Director, Member of the Investment and
Development and ESOS Committees

Nationality	Malaysian
Age	66
Date of Appointment	23 May 2014

Mr. Lim Hun Swee was appointed a Non-Independent and Non-Executive Director of the Company on 23 May 2014 and was redesignated as Executive Director on 13 August 2014. He was subsequently appointed as Managing Director of the Group on 1 January 2015 and a member of the Investment and Development Committee and ESOS committee on 13 February 2015 and 24 November 2015 respectively.

Mr. Lim has more than 20 years managerial experience in manufacturing, sales and marketing, having served as the founder cum Managing Director of In-Comix Food Industries Sdn. Bhd. a company he set up in 1989. He retired from this position in July 2009 after he successfully dispose the company.

As a result of his wide and hands on experience, he was appointed the Managing Director of the Group, wherein he is ultimately responsible for the overall performance of the Group. During the short period he was in charge as the Executive Director in 2014 and then as the Managing Director since January 2015, he has successfully enhanced the operational performance and improved the overall profitability of the Group. He is currently responsible for the overall management of the Group and in providing overall direction and leadership in the day-to-day operations which include amongst others, new products development, upgrading and enhancement of the operations of the Group, modernisation and expansion of the company's plant and facilities to achieve further growth and profitability.

Mr. Lim also sits on the Board of Director of Johore Tin Berhad.

Mr. Lim Hun Swee has no family relationship with any Director and/or substantial shareholder of the Group. There is no conflict of interest in respect of his involvement with the Group and he has not been convicted of any offences within the past 5 years.

PROFILE OF DIRECTORS (CONT'D)

MR. TAN SEE YIN

Executive Director
 Member of the Risk Management Committee
 and Investment and Development Committee

Nationality	Malaysian
Age	62
Date of Appointment	18 Nov 2014

MR. YONG KWET ON

Non-Independent Non-Executive Director
 Member of the Nomination, Remuneration and Investment
 Development Committees

Nationality	Malaysian
Age	61
Date of Appointment	18 Nov 2014

Mr. Tan See Yin was appointed a Non-Independent and Non-Executive Director of the Company on 18 November 2014. He was subsequently redesignated to Executive Director on 4 February 2016. He graduated from University of Malaya in 1979 in Bachelor of Accounting (Hon) and is a member of the Malaysian Institute of Accountant.

He started his career as a management consultant in 1979 and for 11 years was attached to two of the largest management consultancy firms in Malaysia. In 1990, he joined one of Malaysia's then most dynamic and largest conglomerate, and served in a number of senior executive positions for 20 years, where he was involved intimately in a wide range of line and corporate functions for this Group, in varied industries domestically and internationally. Operationally, he served as Group Managing Director in two of the group companies listed on Bursa Malaysia. His last posting was as Senior Director of Group Strategy and Business Development for the entire Group, a position he held until he retired in October 2010.

Mr. Tan See Yin was a member of the Audit Committee of the Group since 13 February 2015. Mr. Tan was subsequently appointed as a member of the Risk Management Committee of the Group on 20 Aug 2015 and a member of the Investment and Development Committee on 13 February 2015. Mr. Tan stepped down from Audit Committee on 4 February 2016 upon his resignation as Executive Director in February 2016.

He has no family relationship with any Director and/or substantial shareholder of the Group. There is no conflict of interest in respect of his involvement with the Group and he has not been convicted of any offences within the past 5 years.

Currently, he is also the Lead Independent Director, Chairman of the Audit Committee and member of the Nomination and Remuneration Committees of a Malaysian company listed on the Catalist Board of Singapore Exchange.

Mr. Yong Kwet On was appointed a Non-Independent and Non-Executive Director of the Company on 18 November 2014. He has more than 38 years experience in Technology and ICT Industry, from hands on to top management work experience covering large scale data centre infrastructure development projects, systems, process engineering, manufacturing systems and large scale technology implementations. While primarily based in Malaysia, the experience covers business and project deliveries in Asia such as Singapore, Thailand, Indonesia, Philippines, India as well as in Europe including the United Kingdom, Germany, Spain and Switzerland.

He graduated in 1978 with a BA (Econs) from the University of Windsor, Ontario, Canada. He was a founding member and honorary secretary of the Malaysia Canada Business Council and a founding member of the Malaysia Data Centre Alliance (under the auspices of MDeC and Pikom).

He has been involved in two successful international IPO listings, one on SESDAQ Singapore Stock Exchange and the other on AIM London Stock Exchange.

Mr. Yong is a member of the Nominations Committee and Remuneration Committee and Chairman of the Investment Development Committee of the Group since 13 February 2015. Mr. Yong ceased as a member of Risk Management Committee with effective from 18 May 2017. He has no family relationship with any Director. He is a substantial shareholder of the Group through his substantial interest in New Orient Resources Sdn Bhd. There is no conflict of interest in respect of his involvement with the Group and he has not been convicted of any offences within the past 5 years.

MANAGEMENT DISCUSSION AND ANALYSIS

This section seeks to provide to our shareholders with a better appreciation of and an insight into the business and operations of the Tomy Pak Group as well as to enlighten shareholders on our performance for FY 2017 and the immediate prospect for the Tomy Pak Group

GENERAL DESCRIPTION OF TOMYPAK GROUP

General

Tomy Pak Holdings Berhad is an investment holding company which currently has 2 subsidiaries: the wholly owned Tomy Pak Flexible Packaging Sdn Bhd (“TFPSB”) and 70% subsidiary, Tomy Pak Flexible Packaging (S) Pte Ltd. (“TFSP”).

For FY 2017, TFPSB was the main contributor to the business of the Tomy Pak Group as TFSP was only incorporated in April 2016, with a view to set the base expansion into the Singapore market as well as international expansion. Activities in TFSP for FY 2017 was still negligible.

Products

As a Group, Tomy Pak Group is involved in the manufacture and marketing of flexible packaging materials. The products manufactured and marketed by TFPSB are primarily for the local and international food and beverage companies who use these printed, laminated and metallized packaging materials either in roll or bags form, to pack their final products such as sauces, seasoning, noodles, beverages, oil as well as snacks.

The main categories of products are generally divided into the following:

- a) **Foil**, which generally are made for the sauce, seasoning, snacks and beverage products;
- b) **Metallized**, which are made for the noodle, seasoning, beverage and oil products; and
- c) **General**, which are primarily made for the noodle, oil, seasoning and beverage products.

Production Facilities

As at the end of FY 2017, the Tomy Pak Group operates out of two separate but complementary factories, a new plant and head office on its 10.5 acres freehold land in Senai Industrial Estate and also at its existing 4 acres leasehold land located in the Tampoi Light Industrial Estate. Total rated capacity of as at end FY 2017 was 25,000 metric tonnes per annum.

The plant and equipment in the Tampoi plant currently consists of:

- 1) 7 multi coloured printing lines of various capacities;
- 2) 8 laminating lines, both wet and dry laminating lines;
- 3) 3 metallizing plant;
- 4) 7 bags making machine; and
- 5) Other ancillary supporting equipment such as 10 slitters and 1 CPP plant

The plant and equipment that are in operation as at end FY 2017 in the new Senai plant consists of the following, with more plant and equipment to be delivered and commissioned progressively over 2018 as well as early 2019:

- 1) 1 multi coloured printing line;
- 2) 1 extrusion laminating line;
- 3) 2 solvent free laminating line; and
- 4) Ancillary supporting equipment including 10 slitters

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Additional equipment will be added to the Senai plant and these include 2 additional printing lines with one of these already installed and ready for test run, an additional dry laminating line, a film casting line which is also installed as of today and is undergoing trial runs, and other supporting ancillary equipment such as slitters.

Both plants will provide the Tomypak Group with a total of 478,000 sq ft of operational space and a rated capacity of 40,000 metric tonnes, sufficient capacity to cater for the Group's expansion strategies over the next 5 to 10 years. A major review of the realignment of the plant and equipment in both plants will be undertaken in early 2019, and the realignment is planned to be completed by the end of FY 2019. This will improve the overall productivity of both plants, particularly the existing Tampoi plant as it is currently operating within a very tight and congested environment. Currently, the total staff force of the Tomypak Group consist 383 staff, of which 301 are in direct operations, with 74 based in Senai and 227 based in Tampoi.

FINANCIAL REVIEW- FY2017 VS FY2016

This section presents more detailed analyses of the financial performance of the Tomypak Group for FY 2016 and FY 2017. Summarise below are the key financial information for the Group over the past 2 years.

Year Ended 31 December	2017	2016
Results (RM'000)		
Revenue	204,279	210,942
Profit from operations	11,081	23,685
Profit before taxation	9,796	23,210
Net profit for the financial year	13,551	18,378
Earnings Before Interest, Tax and Amortisation	25,604	36,225
Statement of financial position (RM'000)		
Shareholders' equity	194,723	188,769
Total borrowings	50,757	34,131
Total assets	283,544	269,020
Ratio		
Earning per share (sen) *	3.25	5.31
Interest cover (times)	8.6	49.86
Return on equity	6.96%	9.74%
Return on total assets	3.91%	8.80%
Gearing	0.26	0.18
Net assets per share (RM) *	0.46	1.14

* These are computed based on the enlarged issued and paid up capital post the share split and bonus issue completed in June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

REVENUE

The Tomy Pak Group revenue for FY 2017 was RM204.28 million as compared to RM210.94 million achieved in FY 2016. Sales have been consistently maintained at these levels as the plant in Tampoi was already operating at full capacity on 24 hours shift. Although the new plant in Senai received its Certificate of Completion and Compliance, there was only one new printing line and one extrusion laminating line in operation towards the end of the second and third quarter of 2017 respectively and hence contributions to revenue was still negligible in FY 2017. Management also took the opportunity when the new printing line came on stream to slow down production on some of the inefficient old printing lines and carried out maintenance works on these old printing lines.

Almost all of Tomy Pak Group customers are from the food and beverage industry, both multi national and local. Consistently over the past years, more than half of Tomy Pak Group's revenue is derived from export sales to a number of multinational companies. Export sales in FY 2017 accounted for 49.3% or RM100.76 million; as was the case in FY 2016 where export sales accounted for 52.9% of total sales.

These export sales are primarily denominated in USD which provides the Tomy Pak Group with sufficient foreign currency to match import of major raw materials. Most of the raw materials purchased by Tomy Pak Group are imported as these materials are important to ensure quality end products for the major customers. Countries where Tomy Pak Group products are exported to include the Philippines, Peru, Brazil, Russia, Singapore, South Africa and Myanmar. Most of the major customers have been long term partners of Tomy Pak Group, with some for as long as over the past 10 years, as Tomy Pak Group has been able to consistently meet these customers key criterion of consistent quality, timely delivery and reasonable commercial terms.

PROFITS FROM OPERATIONS

Profits from operations for the Tomy Pak Group for FY 2017 was RM11.08 million compared to RM23.68 million in FY 2016. These are after accounting for cost of production, sales and marketing expenses and general administrative expenses.

The decrease in the profits from operations in FY 2017 as compared to FY 2016 was due primarily to the following reasons:

- (i) Lower sales volume and lower average selling prices due to competitive market factors. The total quantity shipped in FY 2017 was 12,212 metric tonnes as compared to 12,833 metric tonnes in FY 2016. In particular, there was a reduction in sales to an international customer whose margins were higher than the average margins achieved by the Tomy Pak Group as a whole.

This reduction was however substantially mitigated by an increase in sales to other international customers.

The strengthening Malaysia Ringgit against the USD also meant that Tomy Pak Group is booking in lower revenues in Malaysia Ringgit upon conversion.

- (ii) Lower Gross Profit margins due to an increase in Cost of Goods Sold arising from:
 - (a) Increase in cost of raw materials during the year as compared to FY 2016, particularly aluminium foil and ink;
 - (b) Increase in overall factory overheads resulting from the start-up of the new plant in Senai in the 2nd Quarter 2017. There were also substantial start-up costs including usage of raw materials, utilities and additional labour costs, to conduct trial production runs, incurred in the commissioning of the new plant and equipment acquired, installed and commissioned during the year. Such costs do not translate into sales;

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

- (c) In addition, there were also additional maintenance costs to maintain the old equipment, increased factory sundry expenses resulting from continuing on-going rectification and upgrading works at both factories. The retention contract sum due to the Main Contractor of the Senai plant was surrendered to Tomypak by the Main Contractor for which all rectification works were then carried out by other contractors appointed directly by Tomypak and such costs are expensed off instead of being capitalised. These costs increased by RM1.55 million in FY2017 over that incurred in FY 2016 ;
 - (d) Additional depreciation costs recognised as the Group started to provide for depreciation of the new factory buildings in April 2017 and new equipment as and when these new equipment are installed and ready for commencement of operations, while full production and thus revenue from the new plant and new equipment has yet to be achieved fully as these equipment are operating at low end of their rated capacity. The Senai plant and equipment are pending final inspection and approval from major customers of the new plant before we move production of their products to the newer and more efficient equipment. Additional depreciation cost in FY 2017 over FY2016 amounted to RM2.0 million;
 - (e) The lower volume of production and sales during the last two quarters of 2017 was not sufficient to absorb the additional factory overheads arising from the operation of 2 manufacturing plants, pending rationalisation of operations between the 2 plants as the Group is still in the process of installing and commissioning major new equipment in the new plant in Senai which will only be operating near its rated capacity commencing in last quarter of 2018 for most the major equipment and the first quarter of 2019 for the tenth printing and its supporting laminating, slitters and bag making line;
 - (f) Additional substantial costs recognised in FY 2017 as a result of the change in accounting practice whereby the cylinder costs, which forms a substantial portion of the production costs and which are unique to operations of gravure printing technologies, are to be written off instead of depreciated. In the years prior to 2017, the costs of cylinder are depreciated over a fixed period whereas as of FY 2017, these have to be expensed off against the estimated volume of production which these cylinders can be used and these are now written off mostly within the 12 months they are used in operations. This change in accounting policy resulted in additional RM1.1 million write off in FY 2017;
 - (g) Additional transportation for moving as well as the movement of work-in-progress and finished goods between the 2 plants, security and other miscellaneous operating costs arising from the operations of 2 plants, amounting to additional RM0.5 million; and
- (iii) There was also an expense of RM0.93 million provided in FY 2017 in relation to the Employee Stock Option Scheme provided to employees in the third quarter of FY 2017.
 - (iv) Other overheads including Sales and Marketing and General Administrative expenses remained relatively stable over the years

PROFITS BEFORE TAX

As a consequence of the lower gross margins achieved due to the reasons specified above, the Profits Before Tax ("PBT") also decreased in FY 2017 to RM9.80 million from RM23.21 million in FY 2016. There was also higher financial expenses of additional RM0.8 million in FY 2017 arising from drawdown of loans to fund the purchase of equipment for the new plant.

NET PROFITS AFTER TAX

The decline in net profits after tax ("PAT") in FY 2017 was less than the decline in PBT as a result of reinvestment tax allowances arising from investment in the new plant and equipment to improve productivity and quality assurance.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

EARNINGS BEFORE INTEREST AND TAX

The earnings before interest, tax and amortization (“EBITA”) of the Tomy Pak Group has remained relatively strong over the past few years. For the FY 2017, EBITA was RM25.60 million while in FY 2016, it was higher at RM36.22 million. This decrease is principally due to a reduction in operational profitability.

SHAREHOLDERS' EQUITY

The Tomy Pak Group Shareholders' Equity increased from RM188.77 million as at the end of FY 2016 to RM194.7 million as at the end of FY 2017 as the annual PAT in 2017 was substantially paid out as dividends.

GEARING

Total short term and long term borrowings increased from RM34.1 million as at the end of FY 2016 to RM50.8 million as at the end of FY 2017.

This increase was primarily the result of a net increase of RM7.20 million in term loan drawn down in FY 2017 to finance the purchase of new equipment for the new Senai plant, and an amount of RM18.8 million of Trust Receipts utilised and still outstanding as at year end 2017, to fund purchase of raw materials. All the term loans are either in Singapore Dollar (“S\$”) or USD as the interest rates for such loans are very much lower than RM loan, and the foreign exchange risks is mitigated as approximately 49% of revenue of the Tomy Pak Group are in USD and S\$.

Despite this draw down in term loan, Tomy Pak Group still has a very low debt equity ratio of only 0.26 times and interest cover of 8.6 times as at end of FY 2017.

Total cash and cash equivalent was RM10.49 million as at end FY 2017 as compared to RM30.90 million as at year end FY 2016. The higher cash and cash equivalent as at year end FY 2016 was because the funds raised from the rights issue in 2016 was not substantially utilised yet as at the end of FY 2016. As at end of FY 2017, all the funds raised from the rights issue were fully utilised to fund the construction of the new factory in Senai.

Tomy Pak Group continues to generate positive cash flow from operations. For the FY 2017, there was a total of RM17.0 million net cash from operating activities whilst in FY 2016, it was much higher at RM41.23 million in FY 2016. This decrease is the direct result of the decrease in profits for FY 2017.

TOTAL ASSETS

Growth in total assets is primarily from the additional capital expenditure (“capex”) incurred in FY 2017 as a result of the expansion program undertaken. As at the end of FY 2017, a total of RM44.8 million was added on to total assets as a result of the construction of the new plants and additional equipment purchased. Arising from these capex, Total Assets increased from RM269.02 million to RM283.54 million.

CAPITAL MANAGEMENT AND RETURN TO SHAREHOLDERS

Year Ended 31 December	2017	2016
	RM ('000)	RM ('000)
Dividend declared and paid	10,901	12,086

Your board and management is mindful of the need to balance the need to reward loyal shareholders as well as retain sufficient funds for working capital purposes as the business volume grows, and to fund and manage the continuing growth of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

For the FY 2017, four interim cash dividends amounting to RM10.9 million was declared by Tomypak. A 2 sen per share dividend was declared before the enlarged share capital base resulting from the split cum bonus issue, and a total of 1.8 sen per share was paid on the enlarged issued and paid up capital after the corporate exercise.

PROSPECTS

Tomypak Group will continue to focus on its core business of manufacturing and marketing of flexible packaging materials and will continue to leverage and build on its strong reputation in the market as a consistently reliable partner delivering quality packaging materials to its wide ranging customers competitively. We will continue to improve its market share in both the local and international markets.

We expect that there will be higher demand for packed food and beverage with the ever changing lifestyles permeating in this part of the world. The prospects for growth of packaging companies especially in the Asia Pacific region is expected to continue to be high.

The expansion program undertaken by the Tomypak Group through the construction of a new plant in Senai will double its capacity when fully completed with the full range of new equipment and will provide Tomypak Group with the platform to achieve further growth. The new plant has been designed and built to comply with the stringent international hygiene and food safety standards, such as Hazard Analysis and Critical Control Points and Food Safety System Certification (FSSC) 22000.

The first set of latest more efficient printing line has been installed and commissioned and is now operating smoothly, albeit not at its full rated capacity as yet. The utilisation will be increased progressively over 2018.

A new extrusion laminating line was also installed in 2017 and commenced commercial operations in second half 2017. As at the date of this annual report, the film casting line has been successfully installed and commissioned and has started commercial operation. The installation and testing of the ninth printing line is nearing completion, and should commence trial run and start commercially operations by Q3-2018. The tenth printing line will be delivered and fully commissioned and ready for commercial operation by end FY 2018 whilst a new dry tandem laminating line will also be commercial operational by end FY2018. These will be the final major equipment to be acquired, delivered and commissioned for the expansion programme as envisaged under the Group's original expansion programme announced.

With the completion of the new plant the Group will focus on the final rationalisation of the 2 plants, efficient operation of all of these new and existing equipment as well as working with existing and new customers to secure new orders. Management expects that the performance of Tomypak Group will continue to improve with better performance in the immediate future.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of Tomypak is pleased to present this overview statement to provide shareholders with an overview of the various aspects of corporate governance (“CG”) practices that the company has undertaken during the FY 2017. The full CG Report 2017 (“CG Report”) is available on the web site of Tomypak, ie www.tomypak.com.my

The Board of Directors of Tomypak fully subscribes to the principles and best practices on structures and processes that the Tomypak Group may use in their operations towards achieving the optimal governance framework as set out in the Malaysian Code on Corporate Governance 2012 (“the Code”).

The Board strongly believes and subscribes that good corporate governance, including full accountability and transparency, would result in sustainable long term growth, safeguard the interests of all stakeholders, and enhance shareholders’ value and the company’s financial performance. And good corporate governance must be accepted and practiced by all employees in the organization, and not just by members of the Board of Directors.

To facilitate proper governance of the Tomypak Group, the Board has taken note and implemented the recommendations and proposals by various regulatory authorities on a continuing basis and has also on its accord taken into consideration the requirements necessary to insure that the interests of all stakeholders of Tomypak Group are well managed. In this respect, the Board of Directors has constituted the mandatory committees to assist the Board in ensuring that basic appropriate governance are in place and has also indeed constituted additional committee and demanded additional action plans that the Board deemed necessary, to enhance corporate governance of the Tomypak Group. One of the key additional steps taken by the Board is the constituting of an Investment and Development Committee (see page 31 to 32) to assist the Board in managing the implementation of strategies and action plans to expand the Tomypak Group activities.

BOARD LEADERSHIP AND EFFECTIVENESS

Board’s Roles and Responsibilities

The Board is fully responsible for the overall conduct and performance of the Tomypak Group and provide the necessary stewardship and oversight on behalf of the shareholders. It focuses mainly on setting the overall strategic directions that the Tomypak Group should embark, review and provide guidance on critical and material business issues and specific areas such as corporate governance, risk management, business strategies, internal control, investor relations and shareholders’ communication, as well as overseeing the performance of management. It also reviews, recommends and adopts long term strategic plans for the Group, reviews and insure that appropriate succession planning are in place, including appointing, training and fixing the compensation.

There is clear and distinct segregation of the positions of the Chairman and the Managing Director and these two critical positions are held by different individuals. The Independent Non-Executive Chairman is responsible to lead the Board in the discharge of its functions and responsibilities.

To insure that some of the functions are discharged effectively, various Board committees have been constituted and are charged with the authority and responsibility to review and recommend various policies and strategies for the Board to endorse. The Board Committees established within the Tomypak Group are the normal mandated committees such as Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee; and in addition has also incorporated an Investment and Development Committee to assist the Board in managing the expansion program of the Tomypak Group. These various committees are constituted with clear terms of reference with regards to their respective area of responsibility. Nevertheless, the Board collectively retains full responsibility and accountability for all the company’s performance.

The Managing Director, supported by the Executive Director, are directly involved in managing the day to day Group’s business operations and resources. With their vast knowledge and extensive experience in the industry, they provide added strength to the leadership, and have contributed immensely to the Group’s transformation and growth.

The Non-Independent Non-Executive and Independent Non-Executive Directors are actively involved in various Board Committees and contribute significantly in areas such as performance monitoring and enhancement of corporate governance and controls. They provide a broader view and a check and balance for the executive directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board's Roles and Responsibilities (Cont'd)

During the financial year ended 31 December 2017, the Board has convened four (4) meetings. The following activities were undertaken by the Board in FY 2017:

- (i) Approved the quarterly results for the financial year ended 31 December 2017 and the audited financial statements for the financial year ended 31 December 2016;
- (ii) Approved the payment of four (4) interim dividends to the shareholders;
- (iii) Reviewed the 7 year strategic corporate plans for the Group, reviewed and approved the expansion plan, the Group's annual budget and major capital commitments;
- (iv) Identified principal risks and ensured the implementation of a proper risk management and internal control system;
- (v) Receive briefings and approve the recommendations form the various Board Committees; and
- (vi) Reviewed and approved the corporate exercise of share splits as well as bonus issue, and the continuing implementation of the Employee Share Options Scheme.

Board Composition

The Board take cognizance of the need to have the appropriate size, profiles and experiences of directors, age group, qualifications, gender so that the Board can perform its functions of stewardship and oversight in a more effective manner. Such attributes will provide the Board with proper and comprehensive perspective when making critical decisions for the company.

The Board in FY 2017 comprises **six (6)** members of whom **four (4)** are non-executive directors and two (2) are executive directors. The Board is comprised of professionals from varying professions and has representations from both gender, diversities that will enhance the functioning of the Board.

Three (3) of the **six (6)** directors are independent directors. The Board's composition complies with the Listing Requirements which require one-third (1/3) of the Board members to be independent directors to reflect fairly the interests of the minority shareholders of the Company. The profile of each director is presented on page 12 to page 15 of this Annual Report.

The Board has discussed the need to increase the number of Board members, admitting board members with different qualifications and experience as well as to increase the number of female board members during the year. After deliberation, the Board felt that the current composition will be maintained for FY 2018.

Nomination Committee

The Nomination Committee takes the overall responsibility of identifying and selecting suitable candidates for admission to the Board as well as reviewing the structure, size and composition of the Board.

The Nomination Committee comprised the following members during the year:

Chairman

Tan Sri Dato' Seri Utama Arshad Bin Ayub (Chairman, Independent Non-Executive Director)

Members

Mr. Chin Cheong Kee @ Chin Song Kee (Independent Non-Executive Director)

To' Puan Rozana Binti Tan Sri Redzuan (Independent Non-Executive Director)

Mr. Yong Kwet On (Non-Independent Non-Executive Director)

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Nomination Committee (Cont'd)

There is in place a process for selection, nomination and appointment of suitable candidates to the Board of the Tomy Pak Group. Potential candidates can be identified by the Nomination Committee, existing Directors or any shareholder through internal or external sources. The Nomination Committee, after careful scrutiny of the potential candidates experience and qualifications, as well as a discussion session with the potential candidate, will then recommend candidates suitable for appointment to the Board, and the final endorsement lies with the Board.

The Nomination Committee ensures the appointment is made on merit, and to ensure the required mix of skills, experience and expertise of members of the Board is sufficient. The Nomination Committee will also consider whether such candidate meets the requirements as defined in Bursa Securities' Listing Requirements.

The Board acknowledges that the strength of the Board lies in the composition of its members. For the Tomy Pak Group, the member of the Board have a wide range of expertise, possess extensive experience, are from diverse background in business, finance and technical knowledge and consists of both gender.

In accordance with the Company's Memorandum and Articles of Association, which is in compliant with Chapter 7 of the Listing Requirements, one-third (1/3) of the Directors (including the Managing Director) for the time being or the number nearest to one-third (1/3) shall retire from office at each Annual General Meeting so that all Directors shall retire from office once in each three years but shall be eligible for re-election.

Directors who are over seventy (70) years of age and who wish to continue in office are required to offer themselves for re-election annually in accordance with Section 129(6) of the Companies Act, 1965. However, with the implementation of the Companies Act, 2016, with effect from 31 January 2017, there is no maximum age for directors and therefore, the Company is no longer required to seek shareholders' approval for directors above seventy (70) years of age.

The terms of reference and activities of the Nominating Committee are set out below:

- (i) review the structure, size and composition of the Board, and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- (ii) identify and nominate candidates for the approval of the Board to fill Board vacancies;
- (iii) ensure a mix of skills and experience and other qualities and competencies which non-executive directors should bring to the Board and to assess the effectiveness of the Board, Committees of the Board and contributions of Directors of the Board;
- (iv) recommend to the Board for the continuation or termination of service of the Managing Director and other Directors;
- (v) recommend to the Board for the continuation or termination of service of any Director who has reached the age of 70;
- (vi) recommend Directors who are retiring by rotation to be put forward for re-election; and
- (vii) recommend to the Board the employment of adviser or consultant to enable the Board to fulfill its responsibilities.

The Nomination Committee held one (1) meeting during the financial year ended 31 December 2017.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Nomination Committee (Cont'd)

The following activities were undertaken by the Nomination Committee during the financial year under review:-

- (i) reviewed the Board size, composition and the effectiveness of the Board and Board Committees;
- (ii) assessed the independence of the independent director;
- (iii) discussed the resignation of one of the directors from one of the subsidiaries; and
- (iv) assessed the performance of the Managing Director and Executive Director for the duration of FY 2017.

Remuneration Committee

The Remuneration Committee takes the overall responsibility of reviewing the remuneration packages of the Managing Director, Executive Directors, directors and senior executives of the Group.

The members of the Remuneration Committee during the year were:-

Chairman

Tan Sri Dato' Seri Utama Arshad Bin Ayub (Chairman, Independent Non-Executive Director)

Members

Mr. Chin Cheong Kee @ Chin Song Kee	(Independent Non-Executive Director)
To' Puan Rozana Binti Tan Sri Redzuan	(Independent Non-Executive Director)
Mr. Yong Kwet On	(Non-Independent Non-Executive Director)

The Committee consists majority of independent non-executive directors.

The terms of reference and activities of the Committee are set out below:

- (i) determine and agree with the Board the framework or broad policy for the remuneration of the Group's Managing Director, executive and non-executive directors and other senior executives of the Group;
- (ii) determine and recommend to the Board any performance related pay schemes for the Group;
- (iii) determine the policy and scope of service agreements for the executive and non-executive directors, termination payments and compensation commitments;
- (iv) oversee any major changes in employee remuneration and benefit structures throughout the Group; and
- (v) recommend to the Board the appointment of the services of advisers or consultants as it deems necessary to fulfill its responsibilities.

Remuneration

The remuneration of the Directors is determined at levels so as to enable the Group to attract and retain the Directors with relevant experience and expertise to assist in managing the Group effectively. The Executive Directors receive remuneration which are determined on their level of responsibilities, skills, experience and performance. The Non-Executive Directors receive fees for their services rendered which are subject to the shareholders' approval at the forthcoming Annual General Meeting (AGM) before payment is made.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Remuneration (Cont'd)

Details of Directors' remuneration for the financial year ended 31 December 2017 are as follow:-

	Salaries RM'000	Allowances RM'000	Fees RM'000	Bonus/ Incentive RM'000	ESOS Benefit RM'000	Benefits in Kind RM'000	Total RM'000
Non-Executive Directors							
Tan Sri Dato' Seri Utama Arshad Bin Ayub	-	3.3	120.0	-	-	-	123.3
Mr. Chin Cheong Kee@ Chin Song Kee	-	2.8	95.0	-	-	-	97.8
To' Puan Rozana Binti Tan Sri Redzuan	-	2.3	95.0	-	-	-	97.3
Mr. Yong Kwet On	-	2.3	95.0	-	-	-	97.3
Executive Directors							
Mr. Lim Hun Swee	612.0	-	-	414.1	-	29.9	1,056.0
Mr. Tan See Yin	348.0	-	-	-	-	6.1	354.1

The number of Directors whose remuneration falls into each successive band of RM50,000.00 for the financial year ended 31 December 2017 are set out below:

Range of Remuneration	Executive Directors	Non-Executive Directors
RM0 to RM50,000	NIL	NIL
RM50,001 to RM100,000	NIL	3
RM100,001 to RM150,000	NIL	1
RM150,001 to RM200,000	NIL	NIL
RM350,000 to RM400,000	1	NIL
RM1,050,000 to RM1,100,000	1	NIL
	2	4

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Attendance of Directors

The attendance of individual Directors at the Board and the various Board Committees meetings during FY 2017 is as detailed below:

Director	Board	AC	RC	NC	RMC	IDC	ESOS
Executive Directors							
Lim Hun Swee	4/4					11/11	1/1
Tan See Yin	4/4				3/3	11/11	
Non-Independent Non-Executive Director							
Yong Kwet On	4/4		1/1	1/1		11/11	
Independent Non-Executive Director							
Tan Sri Dato Seri Utama Arshad Bin Ayub	4/4	4/4	1/1	1/1			
Chin Cheong Kee @ Chin Song Kee	4/4	4/4	1/1	1/1	3/3	11/11	
To' Puan Rozana Binti Tan Sri Redzuan	4/4	4/4	1/1	1/1	3/3		1/1
	Board/ Board Committee Chairman	Member					

AC = Audit Committee
 RC = Remuneration Committee
 NC = Nomination Committee
 RMB = Risk Management Committee
 IDC = Investment and Development Committee
 ESOS = Employees' Share Option Scheme Committee

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Code of Conduct

The Board firmly believes in and observes the Directors' Code of Ethics established by the Companies Commission of Malaysia ("CCM") which can be viewed from CCM's website at www.ssm.com.my.

The Group adopts the "Code of Conduct" which applies to the management and employees of the Group. The "Code of Conduct" is an ethical compass, addresses the most relevant ethical issues that an employee can face in his or her daily work life. The "Code of Conduct" has a set of provisions that ensure the Group is in compliance with laws and regulations, privacy, confidentiality and sound employment practices. Moreover, there are provisions on conflicts of interest, business courtesies and the protection and proper use of the Group's resources and assets.

Whistle-blowing Policy

The Board has formed the Whistle-blowing Committee which serves as a platform to facilitate concerned employees and any member of the public such as our suppliers, agents, contractors, and even customers who is aware of any misconduct or inappropriate practices, to submit report of any such misdeeds, bad practices or suspected irregularity, through email to whistleblower@tomypak.com.my or contact respective Committee members by mail or physical delivery of allegation report to company address. The Company has formed a Committee which is chaired by an Independent Non-Executive Director and is made up of another Independent Non-Executive Director of Tomypak as well as senior management of the Tomypak Group. Their respective contact details are published on the notice board of the company for easy reference.

Strategies for Sustainability

The Board recognizes and accepts the importance of sustainability practices in the conduct of Tomypak Group business and promotes best practices which emphasize on adopting the most environmental friendly business practices, and to promote amongst all employees the value of betterment of the environment, community and workplace. Various policies and best practices have been formulated and documented for all employees to be aware of and adhered to.

Going forward, the Board has taken cognizance of the importance of Environmental and Social Governance ("ESG") issues, more so as the Tomypak Group implements its expansion programs over the next few years. In this respect, the Tomypak Group recognizes that the management of the Group ESG issues requires full time commitment and has thus organizationally incorporated this as a key and critical position to be filled in FY 2018 and that a comprehensive ESG program be developed as an important component of the overall strategic plan. This is more so as Tomypak Group is involved in materials that have negative impact on the operating environment within the factories and are also hazardous and may affect the well-being of our employees, if this is not appropriately managed.

The details of the sustainability efforts for FY 2017 are furnished in the Corporate Social Responsibility Statement on page 45 to 48 of the Annual Report.

Access to Information and Advice

The Board and indeed all Directors have access to timely and accurate information within the Group, which allows them to discharge their duties effectively and efficiently. All Directors are furnished with comprehensive board papers, usually one (1) week before the Board meeting, to enable the Directors to have sufficient time to review the board papers and to obtain further explanations and information, where necessary, to facilitate the decision making process and the meaningful discharge of their duties.

The board papers include the meeting agenda, minutes of previous meeting, financial results, marketing and sales results, rolling forecasts for the financial year, industry issues and developments, human resources matters, and where appropriate for the Board information, latest developments in the Group. All proceedings of the Board and the Board Committees are minuted, reviewed at the subsequent meeting and signed by the respective Chairman of the meetings.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Access to Information and Advice (Cont'd)

Directors may have access to the financial and operation officers as well as the internal auditors of the Group. Where necessary, Board members are also entitled to seek independent professional advices on specialized issues at the Group's expense to enable them to discharge their duties with full knowledge of the cause and effect.

Qualified Company Secretary

The Board has engaged the services of qualified and competent Company Secretaries who provide support to the Board for ensuring that all Board and its respective committees procedures are followed and that applicable laws and regulations are complied with. These include obligations of directors relating to disclosure of interests and disclosure of any conflict of interests in transactions with the Group.

The Company Secretaries organise and attend all Board and Board Committee meetings and are responsible for ensuring that Board meeting procedures are followed and the Group's statutory records are maintained accordingly at the registered office of the Group

Board Charter

The Board has adopted a Board Charter which sets out the structure, role, function, composition and responsibilities of the Board. The Board Charter is used as a source of reference and provides insights to the Board.

The Directors will periodically review and where necessary revise the Board Charter in accordance with the needs of the Group and any new regulations that may have impact on the discharge of the Board's duties and responsibilities.

The Board Charter is made available for reference in the Company's website at www.tomypak.com.my.

EFFECTIVE AUDIT AND RISK MANAGEMENT

The Board is appreciative that an effective and robust risk management and internal control framework is necessary to ensure that the Tomy Pak Group achieves its strategies at minimum risk to the shareholders. In this respect, Tomy Pak manages this through four effective approaches comprising the Audit Committee, the Risk Management Committee, the Investment and Development Committee and through the internal audit function.

The Board also take cognizance that as the Group expands its business operations over the next few years, the risk profile of the Group changes as more risks are identified with the proposed growth and expansion program. Given this scenario, the Board has instructed the Risk Management Committee to, in the coming years beginning in FY 2018, increase the number of times the RMC should meet and at the same time, to intensify its assessment as well as propose and implement more effective mitigating strategies.

Audit Committee ("AC")

The AC has been in place since 15 March 1996 and takes the overall responsibility to ensure compliance of accounting policy, reliability of financial statements and both internal and external audit findings. The AC has policies and procedures in place to assess the suitability and independence of external auditors.

The AC is chaired by an Independent Director who is also a Member of the Malaysian Institute of Accountants ("MIA"). All other members of the AC are either members of MIA or are financially literate.

The composition, terms of reference and activities of the Committee are set on pages 37 to 40 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

Assessment of Suitability and Independence of External Auditors

The Company has always maintained a transparent relationship with its auditors through the AC in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

The AC will review and monitor the suitability and independence of the external auditors. The AC will assess them on annual basis and report to the Board its recommendation for the reappointment or otherwise of the external auditors at the annual general meeting.

The external auditors are invited to attend the annual general meeting of the Group and are available to respond to any Shareholders' enquiries. There are no significant non-audit services provided by the external auditors except for the review of the Statement on Risk Management and Internal Control, Statement of Realized and Unrealized Profits, and professional services in connection with the corporate exercise of share splits and bonus issue, and Employees' Share Option Scheme ("ESOS").

Risk Management Committee

The Risk Management Committee was established on 27 February 2003 and takes the overall responsibility for developing, evaluating and monitoring risk policies, procedures and controls. The composition, terms of reference and activities of the committee are set out below:

The Risk Management Committee in FY 2017 comprised the following members:

Chairman

Mr. Chin Cheong Kee @ Chin Song Kee (Independent Non-Executive Director)

Members

To' Puan Rozana Binti Tan Sri Redzuan (Independent Non-Executive Director)
(Appointed on 18th May 2017)

Mr. Tan See Yin (Executive Director)

Mr. Liew Chek Leong (Executive Director of Tomypak Flexible Packaging Sdn. Bhd.)
(ceased on 1st March 2018)

Mr. Saw Ser Chyang (Factory Manager of Tomypak Flexible Packaging Sdn. Bhd.)

The functions of the Committee are as follows:

- (i) investigate and assess prevailing state of internal and external risk control already in place in the Tomypak Group;
- (ii) extract, encourage or assist members of staff to highlight and propose strategies and action plans to overcome identified risks;
- (iii) where necessary, provide assistance and advice to the Tomypak Group on reasonable strategies and action plans to overcome, lessen or limit unavoidable risks;
- (iv) highlight to the notice of the Board of Directors any situation, transaction, procedure or conduct that raises questions of negligence;
- (v) ensure coordination where participation of more than one department of the Company is required to avoid or lessen a prevailing risk;

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

Risk Management Committee (Cont'd)

- (vi) review reports from the 5 major departments of the Tomypak Group namely Administration, Finance, Human Resource, Operation and Marketing relating to
 - (a) risk identification;
 - (b) steps taken to avoid/lessen risk;
 - (c) damage control (emergency plan) i.e. steps in place or to be taken in the event existing preventive measures fail; and
 - (d) monitoring the risks and control continuously
- (vii) communicate any updated and new processes to all employees with the Company so as to build awareness amongst all employees; and
- (viii) insure appropriate training in risk management are provided to all employees to enhance greater understanding and facilitate informed decision making.

During the year under review, three (3) meetings were held by the Risk Management Committee to review and update the Risk Assessment Report, Detailed Risk Register and Risk Management Policy and Procedure. The Tomypak Group has taken steps to ensure that the risks are identified and managed properly.

The Statement on Risk Management and Internal Control set out on page 41 to 44 of this Annual Report provides an overview of the state of risk management and internal control within the Group.

Investment and Development Committee

In addition to the Risk Management Committee, the Tomypak Group formed an Investment and Development Committee ("IDC") in February 2016 to oversee and manage the key risks in relation to and oversee the Group's expansion program involving the development of a new manufacturing facility in Senai.

Key role of the IDC is to carry out detailed review and analysis, including an assessment of the key markets that the additional production capacity will serve, the layout of the plant, the type and source of equipment, the funding requirements, the expected returns from the investment, the human resource required and close monitoring of the expansion progress. The IDC after careful deliberations will then make the final recommendations to the Board of Directors for approval. It is the intention that the role of this IDC will be expanded to include assessing other strategies for the future sustainable expansion and growth of the Tomypak Group.

The Investment and Development Committee comprised the following members during the year:

Chairman

Mr. Yong Kwet On (Non-Independent Non-Executive Director)

Members

Mr. Lim Hun Swee	(Executive Director)
Mr. Tan See Yin	(Executive Director)
Mr. Chin Cheong Kee @ Chin Song Kee	(Independent Non-Executive Director)
Mr. Liew Chek Leong	(Executive Director of Tomypak Flexible Packaging Sdn. Bhd.) (ceased on 1st March 2018)
Mr. Ng Jit Sing	(Executive Director of Tomypak Flexible Packaging Sdn Bhd) (appointed on 2nd April 2018)

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

Investment and Development Committee (Cont'd)

The Investment and Development Committee met on eleven (11) occasions during the financial year ended 31 December 2017. The following activities were undertaken by the Investment and Development Committee during the financial year under review:-

- (i) reviewed the overall proposed expansion plan of the Group which includes the construction of new factory facilities at Senai site, and to recommend to the Board for final approval;
- (ii) reviewed the proposed marketing strategies and the overall viability of the proposed expansion program, including determining the overall timing of capital investments and expected return on investments from this project over the next 10 years;
- (iii) reviewed and managed the sources of funding for the proposed expansion plan of the Group, which include an evaluation of appropriate internal and external funding sources;
- (iv) reviewed the timing and value of proposed investment in capital expenditure such as machineries and equipment in relation to the Group's expansion plan;
- (v) reviewed all relevant quotation for supply of manpower, equipment, etc. in relation to the Group's proposed expansion plan;
- (vi) oversaw the progress of the construction and to hold regular discussions or meetings and liaise with consultant, main contractor and other relevant parties to ensure that the expansion plan is delivered on schedule and according to the budget approved by the Board;
- (vii) oversaw the fit-out for the new premises of the Group including the hostel, office block and other built up facilities in the new Senai factory; and
- (viii) initiated and oversaw new strategies and action plans to achieve further growth for the Tomy Pak Group, including review of the 7 year Strategic Plan.

Internal Audit Functions

The Tomy Pak Group has an internal audit function that is outsourced to an external consultant which submits relevant Internal Audit Reports for AC's deliberation on a quarterly basis.

The AC reviewed with the internal auditor their scope of work, audit plans prior to the commencement of their audit. The audit has been conducted with reference to the guidelines of the International Professional Practice Framework For Internal Audit; International Standards for the Professional Practice of Internal Auditing and Code of Ethics as well as the Group's and the Company's policies.

The internal auditor reported to the AC the weaknesses in control procedures and made recommendations on areas for improvement. Follow-up audit was carried out to review implementation of management action plans of the observations highlighted in Internal Audit Report.

The internal audit function of the Group is detailed in the Statement on Risk Management and Internal Control.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Compliance with applicable financial reporting standards

The Board aims to present a balanced and understandable assessment of the Group's financial performance and prospects to its shareholders, investors and regulatory authorities. The assessment is primarily provided in the audited financial statements and the quarterly results announcement as well as the Chairman's statement and the Management Discussion and Analysis in the Annual Report. The Board ensures that the financial statements are drawn up in accordance with the Act and the applicable accounting standards in Malaysia, particularly new standards as these standards are adopted in Malaysia.

The Audit Committee assists the Board to oversee the Group's financial reporting processes and the quality of its financial reporting, to ensure accuracy, adequacy and completeness so as to give a true and fair view of the state of affairs of the Group.

The Audit Committee reviews the quarterly unaudited financial results and announcements, final audited financial statements of the Group prior to recommending them to the Board of Directors for adoption and approval. The review was to ensure that the audited financial statement was in compliance with the provisions of the Companies Act, 2016 and the applicable accounting standards approved by the Malaysian Accounting Standard Board.

The Audit Committee also reviews the audit findings of the external auditor arising from the audited financial statements and the audit findings raised by internal auditor together with the management's responses thereon.

A Statement of Directors' responsibilities in preparing the financial statements is set out on page 113 of this Annual Report.

Strengthen Relationship between Company and Shareholders Through Effective Communications

The Company understands and value the importance of effective communications with its shareholders.

The Group strives to provide its shareholders and investors with an overview of the Group's performance and operations by the timely release of financial results announcement through the Bursa Malaysia Securities Berhad on a quarterly basis.

In addition, the Company through the Executive Director play a major role in providing updates on the Tomy Pak Group's activities by conducting regular meetings, dialogues and discussions with fund managers, financial analysts and media.

The Annual General Meeting ("AGM") of the Group also represents the principal forum for dialogue and interaction with all shareholders. Shareholders are notified of the meeting and provided with a copy of the Company's Annual Report at least 21 days before the date of the meeting. At each AGM, the Board presents the performance of the Group's business and encourages shareholders to participate in the question and answer session. The Chairman and other directors as well as the auditors are present to answer questions raised by shareholders at the AGM. Status of all resolutions proposed at the AGM is announced to Bursa Malaysia Securities Berhad at the end of the meeting day.

The rights of shareholders, including the rights to demand for a poll, are found in the Articles of Association of the Group.

To maintain transparency and effectively address any issues or concerns, the Group has created email address at investor@tomypak.com.my where the shareholders or other parties may raise any queries or concerns pertaining to the Group. Such queries will be reviewed and addressed by the Board accordingly.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

Timely and High Quality Disclosure

The Board observes the Corporate Disclosure Policy issued by the Bursa Securities which can be viewed from Bursa Securities' website at www.bursamalaysia.com and complies with the disclosure requirements of the MMLR.

The Group's corporate website at www.tomypak.com.my serves as a key communication channel for shareholders, investors and the public to obtain up-to-date information on the Group's activities, information, and etc. In line with the Code, the Board Charter, and Corporate Governance are also available on the aforesaid website.

Information Technology

The Board fully recognizes and subscribes to the use of information technology as the best and most efficient means of communication with all stakeholders. In this respect, the current website of the company is being constantly upgraded to facilitate effective dissemination of information to all stakeholders. The Group maintains a website where information on the company, its annual reports, quarterly and other announcements and other relevant information are easily available for reference. Investors can also write in to investors@tomypak.com.my to post any enquiries.

DIRECTORS TRAINING

All the Directors have completed the Mandatory Accreditation Programme ('MAP') as required by Bursa Securities.

The Directors will continue to attend relevant seminars and courses to stay abreast with the various issues arising from the ever-changing business environment, regulatory and corporate governance developments to enhance their professionalism and knowledge to effectively discharge their duties and obligations.

The trainings attended by the Directors, collectively or individually were as follows:

Name of Director	Topic of seminar/ briefing
Tan Sri Dato' Seri Utama Arshad Bin Ayub	<ul style="list-style-type: none"> • Bank Negara - Economic Governance : "Public Sector & Governance" • Bank Negara - BNM Governors Address "The Malaysian Economy & Panel Discussion" • Security Commission - Panel Discussion "The Malaysian Code On Corporate Governance" • Security Commission - Business Leaders Roundtable meeting • Security Commission - Focus Group Discussion on the Audit Committee's Experience with the enhanced Auditors report • Bursa - Director Risk Management "Am I ready to manage the risks" • Bursa - ESG Seminar for Good Bursa Malaysia Index • Khazanah Megatrends Forum • Bursa Advocacy Session to Enhance Quality of Management Discussion & Analysis ("MD&A") • Independent Directors Program BSKL • MIRA Conference BSKL

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

DIRECTORS TRAINING (CONT'D)

The trainings attended by the Directors, collectively or individually were as follows: (Cont'd)

Name of Director	Topic of seminar/ briefing
Mr. Chin Cheong Kee @ Chin Song Kee	<ul style="list-style-type: none"> Risk Management : ISO 31000 - Practical Implementation with case studies
Mr. Lim Hun Swee	<ul style="list-style-type: none"> Board Excellence : How to Engage and Enthuse Beyond Compliance with Sustainability
Mr. Tan See Yin	<ul style="list-style-type: none"> Board Excellence : How to Engage and Enthuse Beyond Compliance with Sustainability
Mr. Yong Kwet On	NIL
To' Puan Rozana Binti Tan Sri Redzuan	<ul style="list-style-type: none"> Key Proposed Amendments to Listing Requirements Arising From Companies Act 2016

OTHER COMPLIANCE INFORMATION

Material Contracts

There were no material contracts entered into by the Company or its subsidiaries during the year which involve the Directors and substantial shareholders' interests.

Non-Audit Fees

The amount of non-audit fees paid to external auditors by the Group for the financial year ended 31 December 2017 amounted to RM41,000.

Share Buy-Back

The details of shares repurchased and sold during the financial year ended 31 December 2017 are as follows:-

Month	Number of shares repurchased/(sold)	Average price RM	Total consideration paid/(received) RM
January	10,000	1.60	16,055.01
April	(315,000)	2.30	(724,827.56)
October	152,000	0.947	144,042.53

Share Split and Bonus Issue

During the financial year ended 31 December 2017, the Tomypak Group had undertaken the following corporate exercise:

Share split involving the subdivision of every one existing ordinary share in Tomypak Holdings Berhad ("Tomypak") into two ordinary shares in Tomypak ("subdivided shares") and a bonus issue of up to 111,556,120 new shares ("bonus share(s)") on the basis of one bonus share for every four subdivided shares held.

The above exercise was completed on 6th June 2017.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

OTHER COMPLIANCE INFORMATION (CONT'D)

Utilisation of Proceeds Raised From Corporate Proposals

As for the rights issue which was completed in financial year 2016, the status of utilisation of the proceeds as at 31 December 2017 are as follows:-

Details of the expected utilisation of proceeds	Expected utilisation RM'000	Actual utilisation RM'000	Balance unutilised RM'000
Construction of a new factory building	33,366	33,366	-
Purchase of machineries, equipment and other ancillary facilities	15,768	15,768	-
Working capital	5,000	5,000	-
Estimated expenses in relation to the Corporate Exercise	600	600	-
Total	54,734	54,734	-

Employees' Share Option Scheme ("ESOS")

Upon completion of the Rights Issue with Warrants, the Tomy Pak Group implemented the ESOS with effect from 8 July 2016, for the eligible Directors and employees of Tomy Pak Group. The ESOS shall be in force for a duration of five (5) years from 8 July 2016.

The details of the scheme as at 31 December 2017, since the commencement are as follows:-

	Number of options *		Total
	Directors	Employees	
Total options granted	4,652,378	10,920,500	15,572,878
Total options exercised/lapsed	4,650,283	5,278,200	9,928,483
Total options outstanding as at 31 December 2017	2,095	5,642,300	5,644,395

* After taking into consideration share split and bonus issue

Pursuant to the Company's ESOS By-laws, the aggregate maximum number of Shares available under the ESOS scheme to the directors of the Tomy Pak Group shall not exceed 13% of the total Shares to be issued and allotted under the ESOS scheme.

Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Tomy Pak Group and the Directors by the relevant regulatory bodies.

2018 AND BEYOND

The Board recognizes that there will always be opportunities to improve corporate governance activities which will enhance the profile of the Group amongst all its stakeholders. In this respect, the Board will continue to ensure that emphasis will be placed on specific areas that the Group needs to improve. One such area identified for immediate action in 2018 is in the area of sustainability activities as well as the year end reporting of these activities.

AUDIT COMMITTEE REPORT

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2017.

MEMBERS OF AUDIT COMMITTEE

The Audit Committee was established by the Board on 15 March 1996. The members of the Audit Committee during the FY 2017 are as follows:

Chairman

To' Puan Rozana Binti Tan Sri Redzuan (Independent Non-Executive Director)
(Redesignated on 1st September 2016)

Members

Mr. Chin Cheong Kee @ Chin Song Kee (Independent Non-Executive Director)

Tan Sri Dato' Seri Utama Arshad Bin Ayub (Independent Non-Executive Director)

TERMS OF REFERENCE

The terms of reference of the Audit Committee are as follows:

1. Objectives of the Committee

The objective of the Audit Committee is to assist the Board of Directors in meeting its responsibilities relating to accounting and reporting practices of the Company and its subsidiary company.

In addition, the Audit Committee shall:-

- a) oversee and appraise the quality of the audits conducted both by the Company's internal and external auditors;
- b) maintain open lines of communication between the Board of Directors, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities; and
- c) assess the Group's processes relating to its risks and control environment.

2. Functions

The functions of the Audit Committee are as follows:-

- a) review the following and report the same to the Board of Directors:-
 - i) with the external auditors, the audit plan;
 - ii) with the external auditors, their evaluation of the system of internal controls;
 - iii) with the external auditors, the audit report;
 - iv) the assistance given by the Company's employees to the external auditors; and
 - v) any related party transaction and conflict of interest situation that may arise within the Company or the Tomy Pak Group including any transaction, procedure or course of conduct that raises questions of management integrity.

AUDIT COMMITTEE REPORT (CONT'D)

TERMS OF REFERENCE (CONT'D)

2. Functions (Cont'd)

- b) consider the external auditors' independence, objectivity, effectiveness and terms of engagement, including taking into consideration the provision of audit and non-audit services by the external auditors before recommending their re-appointment and fees;
- c) discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- d) review the quarterly results and year-end financial statements of the company and its subsidiaries, focusing particularly on:-
 - any changes in accounting policies and practices;
 - significant adjustments arising from the audit;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements.
- e) discuss problems, issues and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);
- f) review the external auditor's management letter and management's response;
- g) carry out the following:-
 - review the adequacy of the scope, functions, competency and resources of the internal audit functions, and that it has the necessary authority to carry out its work;
 - review the internal audit program and results of the internal audit process and where necessary, ensure that appropriate action is taken on the recommendations of the internal audit function;
 - review the appointment and performance of a firm of qualified professionals as the Tomypak Group's internal auditors as well as their independence and objectivity in fulfilling the internal audit function;
 - consider the nomination and to review any letter of resignation of the Tomypak Group's internal auditors; and
 - review the state of internal control of the various operating units within the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements.
- h) consider the major findings of internal investigations and management's response; and
- i) consider other areas as defined by the Board.

3. Meetings

The Audit Committee shall meet at least 4 times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties.

In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any Committee member, the Company's Chief Executive, or the internal or external auditors.

The Company Secretary or other appropriate senior official shall act as secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to Committee members prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee, and circulating them to the Committee members and to other members of the Board of Directors.

A quorum shall consist of a majority of independent directors.

AUDIT COMMITTEE REPORT (CONT'D)

TERMS OF REFERENCE (CONT'D)

3. Meetings (Cont'd)

By invitation of the Audit Committee, the Company must ensure that other directors and employees attend any particular Audit Committee meeting, specific to the relevant meeting.

The Audit Committee held a total of four (4) meetings during the financial year ended 31 December 2017. The detail attendances of the Audit Committee members are as follows:

In addition, the Audit Committee also held two special meetings with representatives of the external auditors without the presence of Executive Directors and management.

ACTIVITIES OF THE AUDIT COMMITTEE

The following activities were undertaken by the Audit Committee during the financial year under review:-

- (i) reviewed the quarterly unaudited financial results and announcements of the Group prior to recommending them to the Board of Directors for approval;
- (ii) reviewed the year end audited financial statements of the Group prior to recommending them to the Board of Directors for approval. The review was to ensure that the audited financial statements was in compliance with the provisions of the Companies Act, 1965 and the applicable accounting standards approved by the Malaysian Accounting Standard Board;
- (iii) reviewed with the external auditor their scope of work, audit plans and reporting requirements for the year;
- (iv) reviewed the external auditors' competency, independence and suitability and recommend to the Board of Directors for their reappointment and their audit fee;
- (v) reviewed related party transaction and conflict of interest situation that arose within the Tomypak Group;
- (vi) reviewed the internal audit reports, which highlighted the audit issues, recommendations and management's response. Discussed with management the actions taken to improve the system of internal control;
- (vii) recommended to the Board the improvement opportunities in risk management, internal control and governance processes; and
- (viii) reviewed the Group's compliance with the Listing Requirements of the Bursa Malaysia and other relevant legal and regulatory requirements.

INTERNAL AUDIT FUNCTION

The Group does not have any internal audit department. Instead the Tomypak Group has engaged an external professional firm as its internal auditors to develop a sound system of internal control and an ongoing process for identifying, evaluating and managing significant risks that may be faced by the Group. This professional firm has performed the functions of the internal audit of the Group on a periodic basis for the financial year ended 31 December 2017 to provide independent and objective reports on the organization's management, records, accounting policies and controls to the Audit Committee and the Board.

The role of the internal audit function is totally independent and not related to the Group's external auditors. The internal audits will include evaluation of the processes by which significant risks are identified, assessed and managed and ensuring that instituted controls are appropriate and effectively applied and the risk exposures are consistent with the Company's risk management policy.

AUDIT COMMITTEE REPORT (CONT'D)

INTERNAL AUDIT FUNCTION (CONT'D)

During the year under review, four (4) internal audits were performed by the internal auditor to identify the risks associated with the activities, processes and systems of the areas audited. An evaluation of the risk was conducted based on an examination of the policies, manual and standards that govern these activities, processes, systems and data contained in relevant systems. Key management personnel were also interviewed as part of the review process by the internal auditors.

The identified risks were then evaluated in terms of probability of occurrence and their impact on the functional process and the potential impact on the company as a whole after taking into consideration Management's inherent controls at the time of audit.

A detailed internal audit report is presented to the Audit Committee for review. Such internal audit reports would highlight the audit issues, the root cause of any issues discovered, the risk and implications, audit recommendations, management action plans, persons responsible and implementation timeline. The Audit Committee discussed with management the actions taken to improve the system of internal control and recommended to the Board the improvement opportunities in risk management, internal control and governance processes. A follow up review on the action plans to be undertaken by management are also conducted and any issues are again highlighted to the Audit Committee at the subsequent audit presentation.

During the financial year under review, the following internal audit review were conducted on the key process risks, controls and compliance surrounding the following areas:-

- (i) supply chain (store, logistics, inventory management and shipping);
- (ii) customers (sales management, accounts receivables management, procurement);
- (iii) physical assets & production process (land, buildings, plant & equipment, production controls and processes, safety and health); and
- (iv) corporate (administration, human resources management, cash management, investments policies, sales (business development)).

The amount of internal audit fees paid to internal auditors by the Group for the financial year ended 31 December 2017 amounted to RM43,036.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board is committed to maintaining a sound and sufficiently robust system of internal controls as well as to ensure that there are sufficient risk management system in place, to safeguard shareholders' investment and the Tomypak Group's assets. In doing so, the Board acknowledges its responsibility to identify major risks faced by the Tomypak Group and ensure that relevant internal controls and appropriate and adequate operational policies and procedures are in place and adhered to, in order to manage these risks within acceptable risk profile to ensure that Tomypak Group's policies and business objectives are achieved.

In view of the above, the Board is pleased to provide the following Statement on Risk Management and Internal Control which outlines the nature and scope of internal controls of the Tomypak Group during the year pursuant to Paragraph 15.26 (b) of the Listing Requirements of Bursa Securities.

BOARD OF DIRECTORS' RESPONSIBILITIES

The Board understands fully its responsibility to maintain a sound system of risk management and internal controls and ensure accurate information is presented in the financial statements. Risk management and internal control system are designed to manage rather than eliminate the risk of failure in achieving its business objectives. In view of the inherent limitations in any system of internal controls and risk management, it can therefore only provide reasonable, rather than absolute assurance against materials errors, losses, or misstatement.

In pursuing the business objectives, internal controls can only provide reasonable but not absolute assurance against material misstatement, loss or fraud. As such, the Board recognises that risk management and internal control system is an important part of managing risks in an effort to attain a balanced achievement of its business objectives, and operational efficiency and effectiveness.

The Board has endeavoured to identify the relevant major risks faced by the Tomypak Group on a regular basis in order to monitor these risks so as to ensure that the Tomypak Group achieves its business objectives. The process is regularly reviewed by the Board and is guided by the statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

The Board has received assurance from the Managing Director and the Finance Manager that the Tomypak Group's overall risks management and internal control system for the financial year is generally operating adequately and effectively in all material aspects based on the risk management and internal control system of the Tomypak Group, albeit there may be certain lapses that may occur which has an impact on the overall performance of the Tomypak Group.

One of the key areas identified for improvement in internal control is inventory management. Resulting from the implementation of a new inventory management system as well as the shift of the main warehouse from the old plant in Tampoi to the new warehouse in Senai in July 2017, there was a need to continuously carry out stock count at every month end to ensure that the new system reflects the actual stock quantity in the warehouse. However, the management did not manage to investigate and conclude on the variance adjustments from a month to month basis due to insufficient time, lack of manpower and unfamiliarity with the new inventory management system .

The Group did not perform 100% stock count on 31 December 2017 as there were already full stock counts over the past few months prior to the year end. However, a full stock count was subsequently determined to be necessary and a full stock count was conducted on 6th January 2018 with a roll back of the actual receipt and issuance of raw materials as well as work-in-progress and finished goods to arrive at the stock balance as at 31 December 2017. Resulting from the above, a total of RM 1.6 million stock variance was written off in the Quarter 4 of financial year 2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

BOARD OF DIRECTORS' RESPONSIBILITIES (CONT'D)

Further system improvements as well as new experienced senior staff were recruited in late 2017 and early 2018 to improve the overall stock count processes as well as to manage inventory more efficiently. More effective operating procedures to manage the actual stock count was put in place and subsequently, a full stock count was again conducted at end February 2018 with the presence of external auditors to ensure that the updated records of inventory, especially of raw materials, as against the actual stocks in the warehouse as well as work-in-progress and finished goods on the manufacturing floor, matches that of the system. The results of this count was a very negligible variance.

Another full stock count was conducted at end March 2018 to further test that the inventory level as recorded in the system now accurately represents the actual stock position in the two plants. There were no material variances for the March stock take. With this, it can be concluded that the matters that were of concern as at end of financial year 2017 has been effectively resolved within Q1 of the financial year 2018.

THE RISK MANAGEMENT FRAMEWORK

In reviewing the adequacy and effectiveness of risk management and internal control system, the Board has always ensured that there are appropriate delegation of duties and responsibilities from the Board to the Managing Director, Executive Director and Senior Management ("The Management") in carrying out the main operating functions of the Tomypak Group within its strategic business plans and annual budgets.

One of the key operational matter that the Board has insisted is the proper analyses and identification of major risks that may affect the on-going operations and sustainability of Tomypak Group's operations. Appropriate risk management and internal control systems are then put in place to manage these risks identified. In addition, based on such analyses, the Board will mandate the Internal Auditors to conduct further audit periodically on critical risk areas to ensure that these risks are well managed, and mitigation and appropriate actions have been undertaken by Management to further strengthen the internal controls and manage the risks.

The Board is assisted by the Risk Management Committee in ensuring that there is an on-going and systematic risk management process undertaken by the Management to identify, assess and evaluate principal risks (*further information on the composition as well as the Terms of Reference of the Risk Management Committee are listed on page 30 and 31*)

The Risk Management Committee conducts periodic meetings to ensure that risk matters relevant to the Group are identified and managed properly to mitigate those risks affecting the achievement of the Group's business objective. In this respect, a total of two (2) meetings was held in the financial year 2017 to review and add and delete risks identified during the year, including those that are highlighted by the Internal Auditors in their periodic audit, whilst at management level, each division are required to hold their regular meeting to develop as well as monitor implementation strategies to mitigate the risks identified.

For financial year 2017, in view of the expansion program undertaken by the Tomypak Group, particular attention was also placed on the start-up operational issues of the new plant in Senai, sales and marketing as well as on the human resource aspects, all of which are pertinent to ensure successful roll out of the expansion program. Major risks identified in relation to the expansion program was specifically addressed to ensure that the substantive investments committed by Tomypak Group are properly managed and will be able to generate the appropriate returns to its shareholders.

The Management has also adopted an "open discussion" approach in the day-to-day management of the Group. This has enabled various major business risks be identified easily and dealt with in a prompt and orderly manner.

In addition to the Risk Management Committee, the Board, in recognizing the substantive risks associated with the expansion plans that the Tomypak Group is undertaking in the development of a new manufacturing facility in Senai, established an Investment and Development Committee (formerly known as Development Committee) in the year of 2015. The Investment and Development Committee is led by a non-independent non-executive director and the members comprise independent director, executive directors and management team.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

THE RISK MANAGEMENT FRAMEWORK (CONT'D)

During the year under review, eleven (11) investment and development committee meetings were held to review, analyze and propose the investment or expansion plan to the Board of Directors. The Investment and Development Committee has taken reasonable steps to ensure that the investment or expansion plan, including their source of fund are identified and managed properly, as well as appropriate operational strategies including marketing and sales strategies and human resource strategies are well in place before this new plant commenced operations in mid 2017. During the financial year, as the new plant was granted its Certificate of Completion and Compliance (“CCC”) and as the new equipment are delivered, installed and commissioned, the Investment and Development Committee undertook a complete review of the total construction cost of the Senai plant to ensure that the costs are within reasonable range as against the original budget. As at the date of this Annual Report, new equipment are still been delivered, installed, tested and commissioned in stages. These activities will continue to progress until the beginning of year 2019.

The scope of the Investment and Development Committee has now been expanded to include review and recommendation to the Board for approval or otherwise of any potential collaboration, mergers or acquisitions, another key strategy developed by the Tomypak Group for its future growth

INTERNAL AUDIT FUNCTION

In order to enhance the effectiveness of the risk management and internal control system, the internal audit functions of the Tomypak Group has been outsourced to an external consultant, SQM Associates, which submits relevant Internal Audit Reports for Audit Committee’s deliberation on a quarterly basis.

The Tomypak Group adopts a risk-based approach to the implementation and monitoring of relevant internal controls. The Internal Auditors conduct briefing and interview as part of risk assessment to identify significant concerns and risks perceived by the Senior Management in order to draw up the risk-based internal audit plan.

Certain control weaknesses have been identified as a result of the audits conducted during the financial year 2017 and substantially have been addressed by the Board and the Audit Committee to ensure that immediate corrective actions are taken as well as to ensure that internal controls can be enhanced in the future. None of the weaknesses other than that of inventory management, have resulted in any material losses, contingencies or uncertainties that would require mention in the Company’s Annual Report. The Management of the Tomypak Group continues to take measures to strengthen the internal control environment from time to time based on the recommendations proposed by the Internal Auditors.

Furthermore, the Board recognises that the development of the risk management and internal control system is an ongoing process for identifying, evaluating and managing the risk faced by the Tomypak Group, as the Group undergo various phases of growth, more so in the immediate next few years as Tomypak Group expand its production capacity. The Board maintains an ongoing commitment to continuously review and strengthen the Tomypak Group’s internal control function and processes.

Indeed, the Board and Audit Committee have always ensured that the Tomypak Group adopts good system of internal controls, corporate governance and best practices in its Board meetings and Audit Committee meetings taking cognisance of possible establishment of additional processes for identifying, evaluating and managing the significant risks within the Tomypak Group in accordance with the guidelines stipulated in the “Statement on Risk Management and Internal Control: Guidelines for Directors of Public Listed Companies” issued by the Bursa Securities.

The Tomypak Group recognizes that management of risks is an on-going dynamic process and as such has implemented various key internal controls for identifying, evaluating and managing the significant risks that may affect the achievement of its business objectives throughout the financial year under review.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTERNAL AUDIT FUNCTION (CONT'D)

In fact, the Tomy Pak Group has proceeded to incorporate various key elements raised by the Internal Auditors as well as External Auditors into its risk management and internal control system in order to safeguard shareholders' investment and the Group's assets by:-

- giving authority to the Board's committee members to investigate and report on any areas of improvement for the betterment of the Group;
- performing review on major variances and deliberating irregularities (if any) in the Board meetings and Audit Committee meetings so as to identify the causes of the problems and formulate solutions to resolve them;
- considering comments from External Auditors, Internal Auditors and consultants on any weaknesses in the risk management and internal control system. The Board would also be informed on the matters brought up in the Audit Committee meetings on a timely basis;
- delegating authority to the Managing Director in order for him to play a major role as the link between the Board and Senior Management in implementing effective risk management and internal control system and managing the Tomy Pak Group's operations in accordance with the Board's expectation;
- keeping the Management informed on the development of action plans for enhancing risk management and internal control system and allowing various management personnel to have access to important information for better decision-making;
- monitoring key commercial, operational and financial risks through reviewing the risk management and internal control system and other operational structures so as to ensure that reasonable assurance on the effectiveness and efficiency of the same will mitigate the various risks faced by the Group to an appropriate level acceptable to the Board;
- Maintaining internal policies and procedures which are set out in a series of clearly documented standard operating manuals covering a majority of areas within the Tomy Pak Group;
- Formulating the appropriate business planning, budgeting and Key Performance Indicators ("KPI") so as to ensure the business performance is monitored on an ongoing basis. Key business risks are identified during the business planning process and are reviewed regularly during the year;
- Regular audits (internal, HACCP and FSSC 22000) to boost operational efficiencies and assure consistency of products' quality and work standards;
- On-going quality improvement initiatives throughout the Group; and
- Monitoring the day-to-day affairs of the Group by the management team through review of performance and operations reports and attending weekly management meeting.

SUSTAINABILITY REPORT

SUSTAINABILITY STATEMENT

The Tomypak Group fully subscribes to and is fully committed to optimising the environmental, economic and social impact of its business activities and the Group is pleased to provide in this report its efforts in this respect.

The Tomypak Group believes and subscribes to the motto of not only growing stakeholder value through growth in our core business but also to achieve such growth in a sustainable manner that contributes and works for the betterment of the environment, community and our workplace.

As this is the first report by the Tomypak Group prepared under the new guidelines, it is guided by the Sustainability Reporting Guide issued by Bursa Malaysia. Tomypak Group have identified material sustainability matters based on Tomypak Group's assessment of its operations, key risks and opportunities. We selected key material sustainability matters from a range of key factors that could have significant impact on our ability to deliver sustainably to our shareholders and key stakeholders. We prioritised and present those matters that could have the greatest relevance and highest potential impact to our business and relationship with stakeholders.

The information in this report covers our actions taken to manage the key issues, and where applicable the results and performance in the areas of environment, employment and our contribution to the local communities at large. It must be recognized that our efforts in improving sustainability initiatives is an on-going process and will continuously be improved as we expand our business and we look forward to improving our deliverables in these areas in the near future.

In this respect, we are also pleased to advise that to ensure we have the appropriate resources available within our organization to manage and deliver these important deliverables, we have now created a specific positions within our organization structure to manage our sustainability issues and is in the process of recruiting a dedicated team who will be responsible for developing a comprehensive program and ensuring that these programs are presented to the Board for approval and subsequently to be implemented.

STRUCTURE TO ACHIEVE

Our sustainability strategy is developed and directed by the senior management of the Group based on guidelines provided by the Board. A comprehensive program will be drawn up and will be presented to the Board of Directors for their final inputs as well as approval and this program will be reviewed and updated on a continuing basis. The team will be led by the CEO and is tasked to develop a set of comprehensive sustainability targets and goals as well as the appropriate strategies and action plans to achieve such targets. It is the intention that this will become one of the standard agenda item for discussion at future Board of Directors meetings.

MATERIAL ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS ("ESG")

The Group's senior management was involved in identifying the following ESG factors for FY2017 which are deemed material to the Group's business and stakeholders:

- i) Employment
- ii) Environment
- iii) Local community

Some of the pertinent matters and action plans cum programs that the Tomypak Group considers as material with respect to each of the above are further elaborated below.

SUSTAINABILITY REPORT (CONT'D)

EMPLOYMENT

The Tomypak Group believes that people are a central component to the achievement of our business strategies and our employees are our most valued assets.

Equal Opportunities

The Group is committed to the following:

- a) provide fair work opportunities to all irrespective of age group, ethnicity, gender or qualifications;
- b) provide our employees with equal opportunities for career advancement based on meritocracy, performance and qualification; and
- c) as the Tomypak Group continues to build our organizational capacity and capabilities to achieve the company's objectives especially in relation to our expansion program, the Tomypak Group has initiated a continuous plan to enhance and upgrade employees' skills, knowledge and experience. This continuous HR development program enhances the employees' competencies and performance to work efficiently and effectively.

Fair Compensation and Benefits

The Tomypak Group ensures that the welfare of all employees are appropriately looked after and compensation for all employees are on fair and equitable terms. The Group also complies with the Malaysian statutory requirement to contribute to the Employees' Provident Fund and the Social Security Organization. In addition to this, the Group provides personal accident insurance for executive employees.

The Tomypak Group provides to its employees medical benefits such as outpatient, specialist and dental treatment. The Group also provides Hospitalization and Surgical Insurance Coverage to local employees and immediate family members of management staff.

In addition, the Tomypak Group makes contribution to a defined benefit plan that provides for lump sum benefits for certain category of employees upon retirement.

Health and Safety

Ensuring that the health and safety of all our employees, particularly those who work within the factory environment, is the prime concern of the Group.

The Tomypak Group's Safety and Health Committee is responsible for the occupational safety and health of our employees. The Committee prescribes the policies, implements and monitors the various ongoing safety and health programs for all level of employees to improve and enhance awareness amongst staff.

The Tomypak Group, through the deployment of Safety Officers to promote continual improvement on the standards of the safety and health, and compliance with statutory requirement, codes, guidelines and standards for occupational safety and health.

Continuous Training

The Tomypak Group recognizes that continuous training and upgrading of the knowledge and skills of the employees are important in discharging their responsibilities effectively and efficiently.

During the financial year, the Group provided both internal training and also send employees for external training in relevant functional areas, to increase the competency of our staff, improve their awareness and provide refresher courses. In addition to the annual refresher courses in Good Manufacturing Practices ("GMP"), Food Safety and Security Certification ("FSSC") as well as Hazard Analysis And Critical Control Points ("HACCP"), a total of 29 other training courses were provided to our employees, ranging from basic training in forklift safety to team building to 5S Housekeeping Awareness course to 7QC Tools training. For purposes of securing the FSSC certification for our new Senai plant, there was continuous training for new recruits as well as refresher courses for those who have been trained before, so that our new Senai plant can secure the certification.

SUSTAINABILITY REPORT (CONT'D)

Employee Share Option Scheme ("ESOS")

The ESOS which was approved by shareholders in FY 2016 continued to be implemented in FY 2017. This ESOS provide our employees an opportunity to have equity participation in the Group. This scheme is an integral plan to retain and incentivize our current employees and allows our employees to have a sense of "ownership" and participation in the financial performance of the Group. In FY 2017, a total of 5,640,000 shares (after the split and bonus issue) was granted to all eligible employees. As at end of FY 2017, the total ESOS granted to all directors and staff was 15,572,878 shares.

ENVIRONMENT

The Tomypak Group's business invariably involves materials such as plastic films and aluminum foils and liquid discharges such as ink and solvent, that directly and indirectly have an impact on the environment at large. Recognizing this, the Group adopts a code of conduct which emphasizes on coexistence with the environment and also adheres to all environmental laws and regulations stringently and strictly. Currently, on-going monitoring of where these waste are sent to by our appointed suitably qualified waste disposal companies which are approved by regulatory authorities, and how they are disposed of, are constantly carried.

We also take cognizance that going forward, we will need to put in place a more comprehensive waste management program given the types of waste our factories discharge. Indeed for FY 2018, one of the more pertinent program is for the Group to organizationally have a specific department that ensures full compliance by the Group on all laws and regulations and to ensure that any changes in the environmental laws and regulations are constantly monitored and updated, and the Group implements appropriate action plans to meet these new requirements. In addition, another of the key role of this department is to develop a more comprehensive environment management program for the next few years given our proposed expansion program, by researching and learning from other countries how such waste are managed effectively beyond just letting a waste management company collect such waste for disposal.

In the meantime, the Tomypak Group has continued with these activities throughout the 2017 year to enhance our commitment to the preservation of the environment. These include:

- Energy savings program to reduce electricity usage by converting the use of electricity to natural gas;
- Stack Emission Monitoring that allows the Tomypak Group to be able to evaluate the characteristics of industrial waste gas stream emissions that are released from the factory chimneys into the atmosphere;
- The usage of electronic file sharing and storage within the company's servers to reduce the usage of paper, recycling of used papers for printing purposes;
- Different types of contingencies implemented within the factory to prevent/minimise chemical spillage within the factory surroundings;
- The re-use of materials within our production processes such as the reuse of waste solvents, reuse of paper spools etc; and
- Recycle what we cannot re-use ourselves but which can be used by others by selling these waste substances to licensed waste collectors.

SUSTAINABILITY REPORT (CONT'D)

LOCAL COMMUNITY

The Tomypak Group plays its role as a socially responsible corporate citizen in the community and continues to support the needs of the community in various forms.

In line with the Tomypak Group's support to the community, the Group continues to offer internships to a number of undergraduates who are required to fulfill their practical training requirements. These undergraduates have the opportunity to gain practical experience from their attachments to Group's daily operations. The Group believes that offering internships to students is a good way of allowing young individuals to gain hands-on opportunities to work in their desired fields. These young adults gain the chance to be able to learn how their course of study can be applied to the real world and also create valuable experience that allow them to become strong candidates for jobs after graduation. Moreover, successful interns will be provided with the opportunity to join the Tomypak Group upon graduation.

In FY 2017, a total of 12 interns were provided the opportunity to be attached to the Group. A comprehensive 3 months program which allows these interns the opportunities to be exposed and learn throughout the entire value chain of the Group's production process, was developed and they were rotated through various area of operations to give them the necessary exposure.

In addition to the internship program, the Group also participated in career fairs organized by various universities. These fairs are not only to serve as potential employment opportunities for graduating students but it also allows the students to engage with experienced professionals from the Group for them to gain better perspective of the technical and management aspects of working in such type of entities.

One of such fair which the Group participated in was a program sponsored by the Division of Student Affairs & Alumni, of Universiti Sains Malaysia ("USM"); the USM Engineering Campus Career Fair 2018 on 14 and 15 March 2018. The Group participated in this career fair with the objectives of promoting corporate branding, providing job opportunities to undergraduates from a population of 3,000 multi-talented student population from various field of studies, such as Civil, Chemical, Aerospace, Electronic, Electrical, Mechatronic, Mechanical, Material, Minerals Resources and Polymer Engineering and also Manufacturing Engineering with Management. As a result of this fair, a total of 30 undergraduates were shortlisted for interviews to be attached to the Group, commencing from May 2018. Closer to home, the Group also participated in the "Karival Kerjaya Johor 2018 Sempana Job Fair", organised by the Jabatan Tenaga Kerja Negeri Johor. Resulting from this fair, a total of 68 applications from various fields such as engineer, technicians, finance and accounting, QC inspectors and shipping officers, were received and after the review and interview process, a total of 13 candidates were offered job opportunities in the Group.

As a part of our contribution to society, during the financial year, the Tomypak Group made cash donations to the Rotary Club of Kulai Foundation to assist the Foundation in providing hemodialysis services to the community. The Group will continue to work with the Foundation to continue to provide further cash assistance to support this noble activity.



moving **forward**
to the **future**

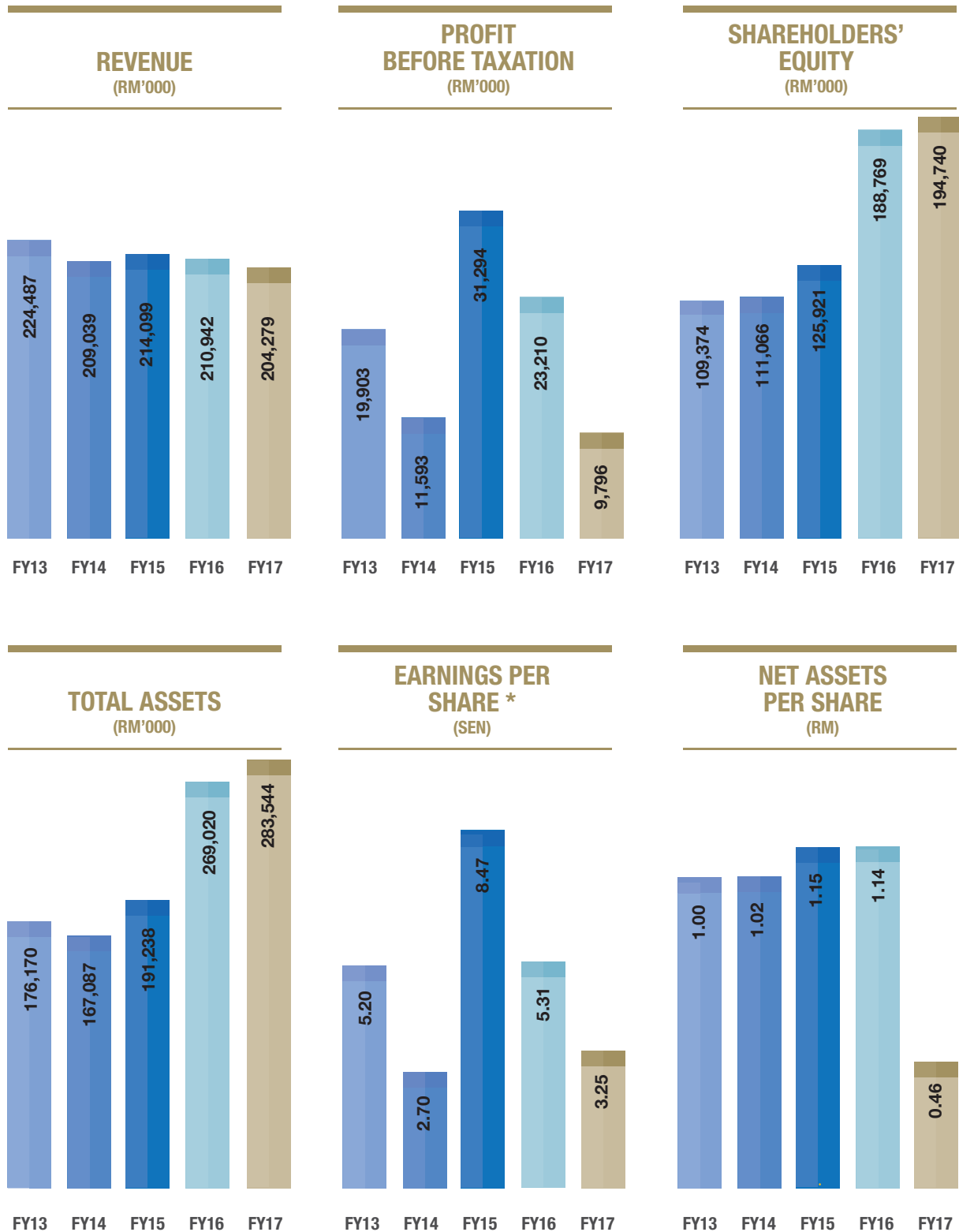


FIVE YEARS' FINANCIAL HIGHLIGHTS AND FINANCIAL INDICATORS

Year Ended 31 December	2013	2014	2015	2016	2017*
Results (RM'000)					
Revenue	224,487	209,039	214,099	210,942	204,279
Profit from operations	20,679	12,206	31,634	23,685	11,081
Profit before taxation	19,903	11,593	31,294	23,210	9,796
Net profit for the financial year	14,217	8,252	23,164	18,378	13,551
Statement of financial position (RM'000)					
Shareholders' equity	109,374	111,066	125,921	188,769	194,740
Total borrowings	29,412	24,529	29,535	34,131	50,757
Total assets	176,170	167,087	191,238	269,020	283,544
Ratio					
Earnings per share (sen) *	5.20	2.70	8.47	5.31	3.25
Interest cover (times)	26.65	19.91	93.04	49.86	8.6
Return on equity	13.00%	7.43%	18.40%	9.74%	6.96%
Return on total assets	11.74%	7.31%	16.54%	8.80%	3.91%
Gearing	0.27	0.22	0.23	0.18	0.26
Net assets per share (RM)	1.00	1.02	1.15	1.14	0.46

* Adjusted for the effect of share split and bonus issue

FIVE YEARS' FINANCIAL HIGHLIGHTS
 AND FINANCIAL INDICATORS (CONT'D)



* Adjusted for the effect of share split and bonus issue

financial statements

THE REPORTS	53	Directors' Report
	60	Statements of Financial Position
	61	Statements of Profit or Loss and Other Comprehensive Income
	63	Consolidated Statement of Changes in Equity
	66	Statement of Changes in Equity
	68	Statements of Cash Flows
	70	Notes to the Financial Statements
	113	Statement by Directors
	113	Statutory Declaration
	114	Independent Auditors' Report



DIRECTORS' REPORT

For the year ended 31 December 2017

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are disclosed in Note 4 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 4 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	13,580	13,264
Non-controlling interests	(29)	-
	13,551	13,264

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in Note 8 to the financial statements.

DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows:

- i) In respect of the financial year ended 31 December 2016 as reported in the Directors' Report of that year:
 - a fourth interim dividend of 2.0 sen tax exempt per ordinary share totalling RM3,318,768 declared on 28 February 2017 and paid on 3 April 2017.

- ii) In respect of the financial year ended 31 December 2017:
 - a first interim dividend of 2.0 sen tax exempt per ordinary share totalling RM3,350,609 declared on 31 May 2017 and paid on 16 June 2017;
 - a second interim dividend of 0.8 sen tax exempt per ordinary share totalling RM3,355,609 declared on 19 September 2017 and paid on 2 October 2017;
 - a third interim dividend of 0.8 sen tax exempt per ordinary share totalling RM3,355,384 declared on 23 November 2017 and paid on 27 December 2017; and
 - a fourth interim dividend of 0.2 sen tax exempt per ordinary share totalling RM839,161 declared on 27 February 2018 and paid on 5 April 2018.

DIRECTORS' REPORT (CONT'D)

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Tan Sri Dato' Seri Arshad bin Ayub
Mr. Chin Cheong Kee @ Chin Song Kee
Mr. Lim Hun Swee
Mr. Tan See Yin
Mr. Yong Kwet On
Ms. Rozana binti Redzuan

The names of the Directors of subsidiaries are set out in the respective subsidiaries' financial statements and the said information is deemed incorporated herein by such reference and made a part hereof.

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the shares and options over shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

Name of Directors	Interest	Number of ordinary shares					At 31 December 2017 '000
		At 1 January 2017 '000	Bought '000	Sold '000	Share Split# '000	Bonus Issue# '000	
Company							
Tan Sri Dato' Seri Arshad bin Ayub	Direct	5,158	536	-	5,158	2,579	13,431
	Deemed	8,465	618	-	8,465	4,233	21,781
Mr. Chin Cheong Kee @ Chin Song Kee	Direct	54	117	-	171	85	427
Mr. Yong Kwet On	Direct	137	310	-	447	223	1,117
	Deemed	43,331	1,400	(5,650)	42,081	21,041	102,203
Mr. Lim Hun Swee	Direct	26,490	657	-	27,147	13,573	67,867
Mr. Tan See Yin	Direct	328	-	-	328	165	821
Ms. Rozana binti Redzuan	Direct	136	-	-	136	68	340

Name of Directors	Number of options over ordinary shares					At 31 December 2017 '000
	At 1 January 2017 '000	Granted and accepted '000	Exercised '000	Share Split# '000	Bonus Issue# '000	
Company						
Mr. Chin Cheong Kee @ Chin Song Kee	117	-	(117)	-	-	-
Mr. Lim Hun Swee	657	-	(657)	-	-	-
Ms. Rozana binti Redzuan	1	-	-	1	-	2

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS IN SHARES (CONT'D)

Name of Directors	← Number of Warrants →					At 31 December 2017 '000
	At 1 January 2017 '000	Bought '000	Sold '000	Share Split# '000	Bonus Issue# '000	
Company						
Tan Sri Dato' Seri Arshad bin Ayub	4,736,100	–	(9,660,250)	4,736,100	2,368,050	2,180,000
Mr. Yong Kwet On	10,693,700	–	(26,734,250)	10,693,700	5,346,850	–
Mr. Lim Hun Swee	8,770,000	–	–	8,770,000	4,385,000	21,925,000

The Company completed the share split and bonus issue exercise on 6 June 2017 and adjusted the exercise price accordingly.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements) 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.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate apart from the issue of the Employees' Share Option Scheme ("ESOS") of the Company and Warrants.

ISSUE OF SHARES

During the financial year, the Company undertook the following:

- a) issued 2,470,040 new ordinary shares for cash arising from the exercise of the employees' share options at an exercise price of RM1.50 per ordinary share, out of which 65,000 options were exercised prior to the implementation of the Companies Act 2016 on 31 January 2017;
- b) issued 48,000 new ordinary shares for cash arising from the exercise of the employees' share options at an exercise price of RM1.47 per ordinary share;
- c) share split involving the subdivision of every existing one (1) ordinary share in the Company into two (2) ordinary shares in the Company;
- d) bonus issue of 83,765,204 new ordinary shares on the basis of one (1) bonus issue for every four (4) ordinary share in the Company out of which RM11 million is to be utilised from the share premium and the balance RM9.9 million is to be utilised from retained earnings; and
- e) issued 806,000 new ordinary shares for cash arising from the exercise of the employees' share options at an exercise price of RM0.60 per ordinary share.

DIRECTORS' REPORT (CONT'D)

ISSUE OF SHARES (CONT'D)

At the Annual General Meeting held on 18 May 2017, the shareholders of the Company renewed their approval for the Company to repurchase its own shares. During the financial year, the Company repurchased from the open market a total of 20,000 of its issued ordinary shares with an average repurchase price of RM1.606 prior to the completion of the share split and bonus issue exercise and 152,000 of its issued ordinary shares with an average repurchase price of RM0.948 after the completion of the share split and bonus issue exercise. The repurchase transactions were financed by internally generated funds and the repurchased shares are being held as treasury shares and carried at cost.

The Company resold 315,000 units of treasury share with an average price of RM2.307 per share in the open market of Bursa Malaysia for a total consideration of RM726,705 prior to the completion of the share split and bonus issue exercise. The gain from the resale of treasury shares have been recorded in the equity account of the Company.

There were no other changes in the issued and paid-up capital of the Company during the financial year.

ISSUE OF WARRANTS

The Warrants are constituted by the Deed Poll dated 20 May 2016.

The main features of the Warrants are as follows:

- a) The Warrants which are exercisable into new ordinary shares, are attached to the Rights Shares without any cost and will be issued only to the entitled shareholders who subscribe for the Rights Shares;
- b) Each Warrant entitles the registered holder to subscribe for one (1) new ordinary share in the Company at the exercise price of RM0.92 during the exercise period, subject to the adjustments in accordance with the Deed Poll constituting the Warrants;
- c) The Warrants may be exercised at any time on or after 5 July 2016 until the end of the tenure of the Warrants of five (5) years;
- d) The new shares to be issued upon the exercise of the Warrants shall, upon issuance and allotment, rank pari passu in all respects with the then existing shares of the Company except that they will not be entitled to any dividends, rights, allotments and/or other distributions declared, made or paid by the Company prior to be the relevant date of allotment and issue of the new shares to be issued pursuant to the exercise of the Warrants;
- e) For purpose of trading on Bursa Securities, a board lot for the Warrants shall comprise one hundred (100) Warrants carrying right to subscribe for 100 new shares at any time during the exercise period or such denomination as determined by Bursa Securities; and
- f) The Deed Poll and accordingly the Warrants are governed by and shall be construed in accordance with the laws of Malaysia.

No Warrants were exercised during the financial year. As at year end, 136,834,425 Warrants remained unexercised.

DIRECTORS' REPORT (CONT'D)

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the Employees' Share Option Scheme ("ESOS").

At an ESOS Committee Meeting held on 3 August 2016, the Company's shareholders approved the establishment of the ESOS of not more than 15% of the issued and paid-up ordinary share capital of the Company to eligible Directors and employees of the Group.

The salient features of the ESOS are as follows:

- a) The ESOS is administered by ESOS Committee appointed by the Board of Directors.
- b) The aggregate number of options issued and options offered under the ESOS Scheme shall not exceed fifteen per centum (15%) of the issued and paid-up ordinary share capital of the Company at any point of time during the duration of the ESOS Scheme.
- c) The eligible employee must be satisfy the following conditions:
 - i) at least eighteen (18) years old and have been confirmed and employed on full time basis on the date of offer; and
 - ii) the eligible employee must not be an undischarged bankrupt nor subject to any bankruptcy proceedings.
- d) The subscription price for each ordinary share shall be the weighted average market price of the shares of the Company for the five (5) market days immediately preceding the date of the offer with a discount of not more than ten percent (10%) or the par value of the ordinary shares, whichever is higher.
- e) The option is personal to the grantee and is non-assignable.
- f) The options granted may be exercised at any time within the period of five (5) years commencing from 8 July 2016, subject to a further extension of five (5) years as the Board may determine.
- g) Option exercisable in a particular year but not exercised can be carried forward to the subsequent years subject to the time limit of the Scheme.
- h) The options shall be exercised in multiple of and not less than one hundred (100) options.

The movements in outstanding options offered to take up unissued ordinary shares and the exercise price is as follows:

Date of offer	Exercise price	← Number of options over ordinary shares ('000) →				At 5 June 2017#
		At 1 January 2017	Grant	Exercised	Forfeited	
9 September 2016	RM1.50	3,131	–	(2,470)	(92)	569
6 January 2017	RM1.47	–	135	(48)	(26)	61

DIRECTORS' REPORT (CONT'D)

OPTIONS GRANTED OVER UNISSUED SHARES (CONT'D)

Date of offer	Exercise price	Number of options over ordinary shares ('000)						At 31 December 2017
		At 6 June 2017	Granted	Adjustment for share split	Adjustment for bonus issue	Exercised	Forfeited	
9 September 2016	RM0.60	575	-	575	287	(714)	(25)	698
6 January 2017	RM0.59	61	-	61	31	(93)	(15)	45
9 September 2017	RM0.87	-	5,130	-	-	-	(229)	4,901

The Company completed the share split and bonus issue exercise on 6 June 2017 and adjusted the exercise price accordingly.

The date of expiry of the option is 7 July 2021.

INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of premium paid for insurance effected for Directors and officers of the Company is RM5,950.

QUALIFICATION OF SUBSIDIARIES' FINANCIAL STATEMENTS

The auditors' report on the audited financial statements of Company's subsidiaries did not contain any qualification or any adverse comments.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision has been made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business 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:

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION (CONT'D)

At the date of this report there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group 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 as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 15 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Yong Kwet On
Director

Lim Hun Swee
Director

Johor Bahru

Date: 30 April 2018

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Assets					
Property, plant and equipment	3	171,529	141,290	–	–
Investments in subsidiaries	4	–	–	135,546	111,353
Total non-current assets		171,529	141,290	135,546	111,353
Inventories	5	34,861	31,524	–	–
Trade and other receivables	6	62,274	64,426	2	13
Tax recoverable		4,388	874	32	20
Dividend receivable		–	–	–	17,000
Cash and cash equivalents	7	10,492	30,906	827	2,314
Total current assets		112,015	127,730	861	19,347
Total assets		283,544	269,020	136,407	130,700
Equity					
Share capital	8	108,735	82,506	108,735	82,506
Reserves	8	85,988	106,217	26,969	47,513
Equity attributable to owners of the Company		194,723	188,723	135,704	130,019
Non-controlling interests	4	17	46	–	–
Total equity		194,740	188,769	135,704	130,019
Liabilities					
Loans and borrowings	9	24,477	19,925	–	–
Deferred tax liabilities	10	4,990	9,112	–	–
Employee benefits	11	665	658	–	–
Total non-current liabilities		30,132	29,695	–	–
Trade and other payables	12	32,162	36,194	473	525
Loans and borrowings	9	26,280	14,206	–	–
Dividends payable		230	156	230	156
Total current liabilities		58,672	50,556	703	681
Total liabilities		88,804	80,251	703	681
Total equity and liabilities		283,544	269,020	136,407	130,700

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue					
Goods sold		204,279	210,942	-	-
Dividend income		-	-	14,250	30,000
		204,279	210,942	14,250	30,000
Cost of goods sold		(183,924)	(176,409)	-	-
Gross profit		20,355	34,533	14,250	30,000
Other income		2,935	1,560	-	2
Distribution expenses		(3,706)	(3,919)	-	-
Administrative expenses		(7,545)	(8,029)	(1,041)	(1,143)
Other expenses		(958)	(460)	-	-
Results from operating activities		11,081	23,685	13,209	28,859
Finance income		148	192	55	72
Finance costs	13	(1,433)	(667)	-	-
Net finance (costs)/income		(1,285)	(475)	55	72
Profit before tax		9,796	23,210	13,264	28,931
Tax income/(expense)	14	3,755	(4,832)	-	(5)
Profit for the year	15	13,551	18,378	13,264	28,926
Other comprehensive expense, net of tax Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations/Other comprehensive expense for the year		(1)	(5)	-	-
Total comprehensive income for the year		13,550	18,373	13,264	28,926

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit attributable to:					
Owners of the Company		13,580	18,424	13,264	28,926
Non-controlling interests		(29)	(46)	–	–
Profit for the year		13,551	18,378	13,264	28,926
Total comprehensive income attributable to:					
Owners of the Company		13,579	18,421	13,264	28,926
Non-controlling interests		(29)	(48)	–	–
Total comprehensive income for the year		13,550	18,373	13,264	28,926
Basic earnings per ordinary share (sen)	16	3.25	5.31		
Diluted earnings per ordinary share (sen)	16	3.25	5.29		

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company										Total equity RM'000
	Non-distributable					Distributable					
Note	Share capital RM'000	Share premium RM'000	Share Translation reserve RM'000	Treasury shares RM'000	Share option reserve RM'000	Merger reserve RM'000	Warrant reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group											
At 1 January 2016	54,733	987	-	-	-	2,991	-	67,210	125,921	-	125,921
Foreign currency translation differences for foreign operation/Total other comprehensive expense for the year	-	-	(3)	-	-	-	-	-	(3)	(2)	(5)
Profit for the year	-	-	-	-	-	-	-	18,424	18,424	(46)	18,378
Total comprehensive (expense)/income for the year	-	-	(3)	-	-	-	-	18,424	18,421	(48)	18,373
<i>Contributions by and distributions to owners of the Company</i>											
Rights issue	27,367	27,367	-	-	-	-	-	-	54,734	-	54,734
Warrants issue	-	(16,967)	-	-	-	-	16,967	-	-	-	-
Equity settled share based transaction	-	-	-	-	1,590	-	-	-	1,590	-	1,590
- Share option granted	-	342	-	-	(342)	-	-	-	-	-	-
- Share option exercised	-	-	-	-	-	-	-	-	-	-	-
- Share issued	406	811	-	-	-	-	-	-	1,217	-	1,217
Subscription of shares in a subsidiaries	-	-	-	-	-	-	-	-	-	94	94
Share issued expenses	-	(638)	-	-	-	-	-	-	(638)	-	(638)
Own share acquired	-	-	-	(471)	-	-	-	-	(471)	-	(471)
Dividends to owners of the Company	-	-	-	-	-	-	-	(12,051)	(12,051)	-	(12,051)
Total transactions with owners of the Company	27,773	10,915	-	(471)	1,248	-	16,967	(12,051)	44,381	94	44,475
At 31 December 2016	82,506	11,902	(3)	(471)	1,248	2,991	16,967	73,583	188,723	46	188,769

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

Note	Attributable to owners of the Company										Total equity RM'000	
	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Treasury shares RM'000	Share option RM'000	Merger reserve RM'000	Warrant reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000		
Group												
At 1 January 2017	82,506	11,902	(3)	(471)	1,248	2,991	16,967	73,583	188,723	46	188,769	
Foreign currency translation differences for foreign operation/Total other comprehensive expense for the year	-	-	(1)	-	-	-	-	-	(1)	-	(1)	
Profit for the year	-	-	-	-	-	-	-	13,580	13,580	(29)	13,551	
Total comprehensive (expense)/income for the year	-	-	(1)	-	-	-	-	13,580	13,579	(29)	13,550	
<i>Contributions by and distributions to owners of the Company</i>												
Equity settled share based transaction	-	-	-	-	992	-	-	-	992	-	992	
- Share option granted	-	-	-	-	-	-	-	-	-	-	-	
- Share issued pursuant to ESOS	4,194	65	-	(176)	-	-	-	-	4,259	-	4,259	
Own share acquired	-	-	-	-	-	-	-	-	(176)	-	(176)	
Bonus issue	20,941	(11,000)	-	-	-	-	-	(9,941)	-	-	-	
Own share sold	-	-	-	503	-	-	-	224	727	-	727	
Dividends to owners of the Company	-	-	-	-	-	-	-	(13,381)	(13,381)	-	(13,381)	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

Note	Attributable to owners of the Company											Total equity RM'000
	Non-distributable					Distributable					Non-controlling interests RM'000	
	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Treasury shares RM'000	Share option RM'000	Merger reserve RM'000	Warrant reserve RM'000	Retained earnings RM'000	Total RM'000			
Total transactions with owners of the Company	25,135	(10,935)	-	327	992	-	-	(23,098)	(7,579)	-	-	(7,579)
Transfer to share premium for share options exercised prior to implementation of Companies Act 2016	-	26	-	-	(26)	-	-	-	-	-	-	-
Transfer to share capital for share options exercised after implementation of Companies Act 2016	1,094	-	-	-	(1,094)	-	-	-	-	-	-	-
Share option forfeited	-	-	-	-	(132)	-	-	132	-	-	-	-
At 31 December 2017	108,735	993	(4)	(144)	988	2,991	16,967	64,195	194,723	17	194,740	

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company			Distributable			Total equity RM'000
	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Warrant reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	
Company							
At 1 January 2016	54,733	987	-	-	-	992	56,712
Profit and total comprehensive income for the year	-	-	-	-	-	28,926	28,926
<i>Contributions by and distributions to owners of the Company</i>							
Rights issue	27,367	27,367	-	-	-	-	54,734
Warrants issue	-	(16,967)	-	16,967	-	-	-
Equity settled share based transaction	-	-	1,590	-	-	-	1,590
- Share option granted	-	342	(342)	-	-	-	-
- Share option exercised	406	811	-	-	-	-	1,217
- Share issued	-	-	-	-	(471)	-	(471)
Own shares acquired	-	(638)	-	-	-	-	(638)
Share issue expenses	-	-	-	-	-	-	-
Dividends to owners of the Company	-	-	-	-	-	(12,051)	(12,051)
Total transactions with owners of the Company	27,773	10,915	1,248	16,967	(471)	(12,051)	44,381
At 31 December 2016	82,506	11,902	1,248	16,967	(471)	17,867	130,019

STATEMENT OF CHANGES IN EQUITY (CONT'D)

	← Attributable to owners of the Company →			← Distributable →			
	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Warrant reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	
Company							
At 1 January 2017	82,506	11,902	1,248	16,967	(471)	17,867	130,019
Profit and total comprehensive income for the year	-	-	-	-	-	13,264	13,264
<i>Contributions by and distributions to owners of the Company</i>							
Equity settled share based transaction							
- Share option granted	4,194	65	992	-	-	-	992
- Share issued pursuant to ESOS	-	-	-	-	503	224	4,259
Own shares sold	20,941	(11,000)	-	-	(176)	(9,941)	727
Bonus issue	-	-	-	-	-	-	-
Own shares acquired	-	-	-	-	-	-	-
Dividends to owners of the Company	-	-	-	-	-	(13,381)	(176)
Total transactions with owners of the Company	25,135	(10,935)	992	-	327	(23,098)	(7,579)
Transfer to share premium for share options exercised prior to implementation of Companies Act 2016	-	26	(26)	-	-	-	-
Transfer to share capital for share options exercised after implementation of Companies Act 2016	1,094	-	(1,094)	-	-	-	-
Share option forfeited	-	-	(132)	-	-	132	-
At 31 December 2017	108,735	993	988	16,967	(144)	8,165	135,704

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from operating activities					
Profit before tax		9,796	23,210	13,464	28,931
Adjustments for:-					
Depreciation		14,523	12,540	-	-
Equity settled share-based transaction		993	1,590	-	216
Finance costs		1,433	667	-	-
Impairment loss on trade receivables		-	402	-	-
Property, plant and equipment:					
- Written off		2	4	-	-
- Gain on disposal		(2)	(121)	-	-
Finance income		(148)	(192)	(55)	(72)
Unit trust dividend income		(256)	(460)	-	-
Unrealised gain on foreign exchange		(1,952)	(265)	-	-
Operating profit before changes in working capital		24,389	37,375	13,209	29,075
Changes in employee benefits		7	49	-	-
Changes in inventories		(3,337)	1,247	-	-
Changes in trade and other receivables		4,104	(1,982)	11	104
Changes in trade and other payables		(4,032)	12,352	(52)	(72)
Changes in dividend receivable		-	-	17,000	(17,000)
Cash generated from operations		21,131	49,041	30,168	12,107
Tax paid		(3,881)	(7,600)	(12)	(20)
Other finance costs paid		(250)	(206)	-	-
Net cash from operating activities		17,000	41,235	30,156	12,087

STATEMENTS OF CASH FLOWS (CONT'D)

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from investing activities					
Increase in investments in subsidiaries		–	–	(23,200)	(54,219)
Acquisition of property, plant and equipment		(44,823)	(69,839)	–	–
Proceeds from disposal of property, plant and equipment		61	290	–	–
Interest received		148	192	55	72
Share capital contributed by minority shareholders of a subsidiary		–	94	–	–
Unit trust dividend received		256	460	–	–
Net cash used in investing activities		(44,358)	(68,803)	(23,145)	(54,147)
Cash flows from financing activities					
Drawdown of term loans		13,633	18,195	–	–
Repayment of term loans		(6,429)	(2,336)	–	–
Net short term borrowings		9,422	(11,263)	–	–
Net proceeds from Rights Issue		–	54,096	–	54,096
Proceeds from exercise of share option		4,258	1,217	4,258	1,217
Net proceeds from the repurchase and resale of treasury shares		551	(471)	551	(471)
Dividends paid to owners of the Company		(13,307)	(12,215)	(13,307)	(12,215)
Interest paid		(1,183)	(461)	–	–
Net cash from/(used in) financing activities		6,945	46,762	(8,498)	42,627
Exchange differences on translation of the financial statements of foreign operations		(1)	(3)	–	–
Net (decrease)/increase in cash and cash equivalents		(20,414)	19,191	(1,487)	567
Cash and cash equivalents at 1 January		30,906	11,715	2,314	1,747
Cash and cash equivalents at 31 December	7	10,492	30,906	827	2,314

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Tomy Pak Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business

PTD 109476, Jalan Cyber 4
Mukim Senai Daerah Kulai
81400 Johor Bahru
Johor
Malaysia

Registered office

Suite 7E, Level 7
Menara Ansar
65, Jalan Trus
80000 Johor Bahru
Johor
Malaysia

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”). The financial statements of the Company as at and for the financial year ended 31 December 2017 do not include other entities.

The Company is an investment holding company. The principal activities of its subsidiaries are disclosed in Note 4.

These financial statements were authorised for issue by the Board of Directors on 30 April 2018.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations in the respective financial years when the above standards, amendments and interpretations become effective.

The initial application of these standards, amendments and interpretations are not expected to have any material financial impacts to the current and prior periods financial statements of the Group and the Company upon their first adoption except as mentioned below:

(i) **MFRS 15, Revenue from Contracts with Customers**

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

Currently, the Group recognises revenue from contracts with customers upon risks and rewards of ownership have been transferred to the customers. Under MFRS 15, the Group recognises revenue from contracts with customers when a performance obligation is satisfied, which is when control of the goods underlying the particular performance obligation is transferred to the customer.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

(i) MFRS 15, Revenue from Contracts with Customers (Cont'd)

The Group plans to adopt the new standard on the required effective date using retrospective approach. The Group has assessed the estimated impact that the initial application of MFRS 15 will have on its consolidated financial statements for the year ended 31 December 2017 and the beginning of the earliest period presented on 1 January 2017 as below. The estimated impact on the initial application is based on assessment undertaken to date and the actual impacts of adopting the standard may change because the Group is still in the midst of implementing, testing and assessing the controls of the new information technology system.

Group	Statement of financial position as at 31 December 2017		Statement of financial position as at 1 January 2017	
	As currently stated RM'000	Expected restatement RM'000	As currently stated RM'000	Expected restatement RM'000
Inventories	34,861	28,994	31,524	27,191
Contract assets	–	7,144	–	5,517
Deferred tax liabilities	4,990	5,012	9,112	9,396
Retained earnings	64,195	64,266	73,583	74,483

Group	Statement of profit or loss and other comprehensive income for the year ended 31 December 2017	
	As currently stated RM'000	Expected restatement RM'000
Revenue	204,279	205,906
Cost of goods sold	(183,924)	(185,458)
Tax income	3,755	3,733
Profit for the year	13,555	13,666

Basic earnings per ordinary shares (sen)	3.25	3.28
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

(ii) MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, 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.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a cash flow hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency (Cont'd)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) contingent consideration in a business combination or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(h)(i)).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(ii) Financial instrument categories and subsequent measurement (Cont'd)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) contingent consideration in a business combination or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) 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.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(v) 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 control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, 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.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, plant and equipment (Cont'd)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. Freehold land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold land	40 years
Building	40 years
Plant and machinery	2 - 15 years
Office equipment, furniture and fittings	4 - 10 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period and adjusted as appropriate.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assume substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leased assets (Cont'd)

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(h) Impairment

(i) Financial assets

All financial assets except for financial assets categorised as fair value through profit or loss and investments in subsidiaries are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment (Cont'd)

(i) Financial assets (Cont'd)

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories and assets arising from employee benefits) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment (Cont'd)

(ii) Other assets (Cont'd)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity, and the resulting surplus or deficit on the transaction is presented in equity account.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(k) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Revenue and other income (Cont'd)

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(l) 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.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(m) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Employee benefits (Cont'd)

(iii) Defined benefit plans

The Group's obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is calculated based on 25% of the last drawn salary for each completed year of service up to balance sheet date and no qualified actuary has been appointed by the Group in the measurement of the defined benefit obligations since the amount is not expected to have a material impact to the financial statements.

(iv) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the vesting period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of employee share options is measured using a binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(n) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) 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. Operating segment's results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(p) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as 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. The measurement assumes that the transaction to sell the asset or transfer the liability 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.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. PROPERTY, PLANT AND EQUIPMENT

	Land and building RM'000	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Capital -in -progress RM'000	Total RM'000
Group						
At cost						
At 1 January 2016	27,603	170,379	10,697	1,732	5,711	216,122
Additions	2,272	37,894	532	671	28,470	69,839
Disposals	-	-	(106)	(895)	-	(1,001)
Transfer	-	5,612	-	-	(5,612)	-
Written off	-	(79)	(27)	-	-	(106)
At 31 December 2016/ 1 January 2017	29,875	213,806	11,096	1,508	28,569	284,854
Additions	12,613	27,240	4,128	535	307	44,823
Disposals	-	(61)	(9)	-	-	(70)
Transfer	27,582	40	1,254	-	(28,876)	-
Written off	-	-	(13)	-	-	(13)
At 31 December 2017	70,070	241,025	16,456	2,043	-	329,594
Accumulated depreciation						
At 1 January 2016	6,953	115,455	8,389	1,161	-	131,958
Depreciation charge	418	11,180	745	197	-	12,540
Disposals	-	-	(75)	(757)	-	(832)
Written off	-	(79)	(23)	-	-	(102)
At 31 December 2016/ 1 January 2017	7,371	126,556	9,036	601	-	143,564
Depreciation charge	1,080	12,133	990	318	-	14,523
Disposals	-	(2)	(9)	-	-	(11)
Written off	-	-	(11)	-	-	(11)
At 31 December 2017	8,451	138,687	10,006	919	-	158,065
Carrying amounts						
At 1 January 2016	20,650	54,924	2,308	571	5,711	84,164
At 31 December 2016/ 1 January 2017	22,504	87,250	2,060	907	28,569	141,290
At 31 December 2017	61,619	102,338	6,450	1,124	-	171,529

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	2017	2016
	RM'000	RM'000
Carrying amounts of land and building		
At cost		
Land	18,251	17,589
Buildings	43,368	4,645
	61,619	22,504

Security

Certain property, plant and machinery of the Group with a net book value of RM16,348,267 (2016: RM49,837,161) are charged to banks for banking facilities granted to the Group.

Others

Included in construction-in-progress of the Group is finance cost capitalised of RM54,809 (2016: RM411,602).

4. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	2016
	RM'000	RM'000
Unquoted shares, at cost	133,178	109,978
Share options allocated to a subsidiary's employees	2,368	1,375
	135,546	111,353

Details of the subsidiaries are as follows:

Name of entity	Principal activities	Place of incorporation	Effective ownership interest and voting interest	
			2017	2016
			%	%
Tomypak Flexible Packaging Sdn Bhd	Manufacture and sale of packaging materials, polyethylene, polypropylene films and sheets	Malaysia	100	100
Tomypak Flexible Packaging (S) Pte Ltd*	Trading of packaging products	Singapore	70	70

* *Audited by other firms of accountants*

4.1 Non-controlling interest in subsidiaries

The non-controlling interest ("NCI") arose from the 30% equity held in Tomypak Flexible Packaging (S) Pte Ltd. NCI is not material to the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. INVENTORIES

	Group	
	2017 RM'000	2016 RM'000
Raw materials	20,615	19,268
Work-in-progress	2,708	2,055
Finished goods	8,650	6,479
Consumables	2,888	3,722
	34,861	31,524
Recognised in profit or loss:		
- Inventories recognised as cost of goods sold	183,924	176,409

6. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade receivables	49,326	50,370	-	-
Other receivables, deposits and prepayments	12,948	14,056	2	13
	62,274	64,426	2	13

Included in other receivables, deposits and prepayments is deposit/advanced payments of RM11,393,222 (2016: RM9,869,330) for the acquisition of plant and machineries.

Included in trade receivables is an amount due from a company with a parent company that has a common Director with the Company as follows:

	2017 RM'000	2016 RM'000
Trade receivables	82	-

7. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposit placed with licensed banks	1,000	1,700	-	-
Cash and bank balances	9,492	29,206	827	2,314
	10,492	30,906	827	2,314

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. CAPITAL AND RESERVES

Share capital

	Group/Company		Group/Company	
	2017	2016	2017	2016
	RM'000	RM'000	'000	'000
Ordinary shares:				
Issued and fully paid:				
At 1 January	82,506	54,733	165,012	109,467
Shares issued under ESOS	5,288	406	3,324	811
Rights issue	–	27,367	–	54,734
Share split	–	–	167,531	–
Bonus shares issued	20,941	–	83,765	–
At 31 December	108,735	82,506	419,632	165,012

Reserves

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Non-distributable				
Share premium	993	11,902	993	11,902
Treasury shares	(144)	(471)	(144)	(471)
Translation reserve	(4)	(3)	–	–
Share option reserve	988	1,248	988	1,248
Warrant reserve	16,967	16,967	16,967	16,967
Merger reserve	2,991	2,991	–	–
	21,791	32,634	18,804	29,646
Distributable				
Retained earnings	64,197	73,583	8,165	17,867
	85,988	106,217	26,969	47,513

Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. The new Companies Act 2016, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. In accordance with Section 618(3) of the Companies Act 2016, any amount standing to the credit of the share premium account is available to be utilised on or before 30 January 2019 (24 months from commencement of Section 74 of Companies Act 2016).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. CAPITAL AND RESERVES (CONT'D)

Treasury shares

At the Annual General Meeting held on 18 May 2017, the shareholders of the Company renewed their approval for the Company to repurchase its own shares.

During the financial year, the Company repurchased from the open market a total of 20,000 of its issued ordinary shares with an average repurchase price of RM1.606 prior to the completion of the share split and bonus issue exercise and 152,000 of its issued ordinary shares with an average repurchase price of RM0.948 after the completion of the share split and bonus issue exercise. The repurchase transactions were financed by internally generated funds and the repurchased shares are being held as treasury shares and carried at cost.

The Company resold 315,000 units of treasury share with an average price of RM2.307 per share in the open market of Bursa Malaysia for a total consideration of RM726,705 before completion of the share split and bonus issue exercise. The gain from the resale of treasury shares have been recorded in the equity account of the Company.

At 31 December 2017, a total of 152,000 (2016: 295,000) repurchased shares are being held as treasury shares. The number of outstanding shares issue after the set off is 419,480,070 (2016: 164,717,393).

Treasury shares have no rights to voting, dividends and participation in any other distribution. Treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares in the Company for any purposes including substantial shareholding, take-overs, notices, the requisition of meeting, the quorum for a meeting and the result of a vote on a resolution at a meeting.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Share option reserve

Share option reserve comprises cumulative value of employee services received for the issue of share options.

When the option is exercised, the amount from the share option reserve is transferred to share premium. When the share options expires, the amount from the share option reserve is transferred to retained earnings. Share option programme is disclosed in Note 11.2.

Warrant reserve

On 5 July 2016, the Company issued 54,733,770 Rights Issue with Warrants on the basis of one (1) Rights Share for every two (2) existing shares held, together with warrants on the basis of one (1) warrant for every one (1) Rights Share subscribed, which were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 5 July 2016.

When the warrant is exercised, the amount from the warrant reserve is transferred to share premium. When the warrants expires, the amount from the warrant is transferred to retained earnings.

As at year end, 136,834,425 warrants remained unexercised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9. LOANS AND BORROWINGS

	Group	
	2017	2016
	RM'000	RM'000
Non-current		
Term loans - secured	24,477	19,925
Current		
Term loans - secured	7,477	4,825
Trust receipts - unsecured	18,803	9,381
	26,280	14,206
	50,757	34,131

Security

The term loans are secured by way of:

- i) Legal charges and specific debenture over certain property, plant and machinery of a subsidiary as disclosed in Note 3.
- ii) Corporate guarantee by the Company.

Reconciliation of movement of liabilities to cash flows arising from financing activities:

	At	Net	At
	1 January	changes	31 December
	2017	from	2017
	RM'000	financing	RM'000
		cash flows	RM'000
		RM'000	
Group			
Trust receipts	9,381	9,422	18,803
Term loans	24,750	7,204	31,954
	34,131	16,626	50,757
Total liabilities from financing activities	34,131	16,626	50,757

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. DEFERRED TAX LIABILITIES

Recognised deferred tax liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group	
	2017	2016
	RM'000	RM'000
Property, plant and equipment - capital allowances	13,486	9,662
Inventories	(629)	(267)
Trade receivables allowances	(58)	(109)
Employee benefit plan	(160)	(158)
Unabsorbed capital allowance	(1,749)	-
Unutilised reinvestment allowances	(6,284)	-
Others	384	(16)
	4,990	9,112

Movement in temporary differences during the year

	At 1 January 2016 RM'000	Recognised in profit or loss (Note 14) RM'000	At 31 December 2016 RM'000	Recognised in profit or loss (Note 14) RM'000	At 31 December 2017 RM'000
Group					
Property, plant and equipment - capital allowance	9,293	369	9,662	3,824	13,486
Inventories	(157)	(110)	(267)	(362)	(629)
Trade receivables allowances	(17)	(92)	(109)	51	(58)
Employee benefit plan	(146)	(12)	(158)	(2)	(160)
Unabsorbed capital allowance	-	-	-	(1,749)	(1,749)
Unutilised reinvestment allowances	-	-	-	(6,284)	(6,284)
Others	(191)	175	(16)	400	384
	8,782	330	9,112	(4,122)	4,990

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

11. EMPLOYEE BENEFITS

11.1 Retirement benefits

	2017	Group
	RM'000	2016
		RM'000
Defined benefit liability	665	658

The Group has a retirement benefit that pays a lump sum benefits for certain employees upon retirement. Under the scheme, eligible employees are entitled to retirement benefits of 25% of the last drawn salary for each completed year of service upon retirement age of 60.

Movement in defined benefit liability

The following table shows a reconciliation from the opening balance to the closing balance for defined benefit liability.

	2017	Group
	RM'000	2016
		RM'000
Balance at 1 January	658	609
Included in profit or loss		
Current service cost	7	49
Balance at 31 December	665	658

11.2 Share-based payments arrangement

Share option programme (equity settled)

At an ESOS Committee Meeting held on 3 August 2016, the Company's shareholders approved the establishment of an Employees' Share Option Scheme (ESOS) of not more than 15% of the issued and paid-up ordinary share capital of the Company to eligible Directors and employees of the Group.

The terms and conditions relating to the grants of the new share option programme are as follows; all options are to be settled by physical delivery of shares:

Grant date/ Employees entitled	Number of options '000	Contractual life of options
Option granted to all employees on		
- 9 September 2016	4,042	5 years
- 6 January 2017	135	4.66 years
- 9 September 2017	5,130	4 years

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

11. EMPLOYEE BENEFITS (CONT'D)

11.2 Share-based payments arrangement (Cont'd)

The number and weighted average exercise prices of the share options are as follows:

	2017		2016	
	Weighted average exercise price RM	Number of options ('000)	Weighted average exercise price RM	Number of options ('000)
Outstanding at 1 January	1.50	3,137	1.50	4,037
Granted during the year	0.89	5,265	–	–
Share split during the year	–	635	–	–
Bonus issue during the year	–	318	–	–
Forfeited during the year	1.03	(387)	1.50	(811)
Exercised during the year	1.28	(3,324)	1.50	(94)
Outstanding at 31 December	0.84	5,644	1.50	3,137

The options outstanding at 31 December 2017 have an exercise price in the range of RM0.89 to RM1.50 (2016: RM1.50) and a weighted average contractual life of 4 years (2016: 5 years).

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured based on a binomial lattice model with the following inputs:

	2017	2016
Fair value of share options and assumptions		
Fair value at grant date	RM0.183	RM0.394
Weighted average share price	RM0.870	RM1.650
Share price at grant date	RM0.935	RM1.660
Expected volatility (weighted average volatility)	28.34%	28.00%
Option life (expected weighted average life)	2.88 years	3.30 years
Expected dividends	5.36%	3.10%
Risk-free interest rate (based on Malaysian Government Securities)	3.42%	2.92%

Value of employee services received for issue of share options

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total expense recognised as equity settled share-based transaction	993	1,590	–	216

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade payables	17,262	20,162	-	-
Other payables and accrued expenses	14,900	16,032	473	525
	32,162	36,194	473	525

Included in other payables and accrued expenses are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Plant and equipment payables	2,998	7,014	-	-
Sundry payables	2,336	1,891	-	-
Accruals and provisions	9,240	5,134	473	525
Retention sum	326	1,993	-	-
	14,900	16,032	473	525

13. FINANCE COSTS

	Group	
	2017 RM'000	2016 RM'000
Interest expenses	1,238	873
Bank charges	250	206
Less: Finance cost capitalised	1,488 (55)	1,079 (412)
	1,433	667

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

14. TAX (INCOME)/EXPENSE

Recognised in profit or loss

Major components of income tax expense include:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
- Malaysian tax				
- Current year	22	4,605	-	5
- Prior year	345	4,605	(103)	-
	367	4,502	-	5
Deferred tax (income)/expense				
- Origination of temporary differences	(3,426)	330	-	-
- Overprovision in prior year	(696)	-	-	-
	(4,122)	330	-	-
	(3,755)	4,832	-	5
Reconciliation of tax (income)/expense				
Profit before tax	9,796	23,210	13,264	28,931
Income tax calculated using				
Malaysian tax rate of 24%	2,351	5,570	3,183	6,943
Non-deductible expenses	595	700	237	262
Tax incentive				
- reinvestment allowances	(6,284)	(1,214)	-	-
Non-taxable income	(66)	(121)	(3,420)	(7,200)
Over provision in prior years	(3,404)	4,935	-	5
	(351)	(103)	-	-
Tax (income)/expense	(3,755)	4,832	-	5

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. PROFIT FOR THE YEAR

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit for the year is arrived at after charging/(crediting)				
Auditors' remuneration:				
- Audit fees				
- KPMG Malaysia	131	101	30	30
- Other auditors	17	15	-	-
- Non-audit fee				
- Local affiliates of KPMG Malaysia	14	20	3	3
- KPMG Malaysia	27	99	-	99
Depreciation	14,523	12,540	-	-
Impairment loss on trade receivables	-	402	-	-
Personnel expenses (including key management personnel):				
- Contributions to state plans	1,083	1,044	-	-
- Expenses related to defined benefit plans	6	49	-	-
- Wages, salaries and others	17,756	18,437	-	-
- Equity settled share-based transactions	993	1,590	-	216
Property, plant and equipment:				
- Written off	2	4	-	-
- Gain on disposal	(2)	(121)	-	-
Rental of premises	263	417	-	-
Bad debts recovered	(213)	(18)	-	-
Foreign exchange:				
- Realised loss/(gain)	951	(261)	-	(2)
- Unrealised gain	(1,952)	(265)	-	-
Unit trust dividend income	(256)	(460)	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2017 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

Profit attributable to ordinary shareholders:

	Group	
	2017 RM'000	2016 RM'000
Profit for the year attributable to owners	13,580	18,424
Weighted average number of ordinary shares	417,270	346,808
	2017	2016
Basic earnings per ordinary share (sen)	3.25	5.31

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2017 was based on profit attributable to ordinary shareholders and a weighted average number of ordinary share outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	Group	
	2017 RM'000	2016 RM'000
Profit for the year attributable to owners (diluted)	13,580	18,424
Weighted average number of ordinary shares (diluted):		
	2017	2016
	'000	'000
Weighted average number of ordinary shares (basic)	417,270	346,808
Effect of share options in issue	875	1,376
Effect of exercise of warrant	—*	—*
Weighted average number of ordinary shares (diluted) at 31 December	418,145	348,184
	2017	2016
Diluted earnings per ordinary share (sen)	3.25	5.29

* The warrants are anti-dilutive.

The weighted average number of ordinary shares of the previous year were restated to reflect the retrospective adjustments arising from the share split and bonus issue completed on 6 June 2017 in accordance with MFRS 133, Earning per share.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. DIVIDENDS

Dividends recognised by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2017			
2016 - Fourth interim, tax exempt	2.0	3,319	3 April 2017
2017 - First interim, tax exempt	2.0	3,351	16 June 2017
2017 - Second interim, tax exempt	0.8	3,356	2 October 2017
2017 - Third interim, tax exempt	0.8	3,355	27 December 2017
Total amount		13,381	
2016			
2015 - Fourth interim, tax exempt	3.0	3,284	8 April 2016
2016 - First interim, tax exempt	2.0	2,189	17 June 2016
2016 - Second interim, tax exempt	2.0	3,284	21 September 2016
2016 - Third interim, tax exempt	2.0	3,294	23 December 2016
Total amount		12,051	

After the end of the reporting period, the following dividend was declared by the Directors and this dividend will be recognised in the subsequent financial year.

	Sen per share	Total amount RM'000
2017 - Fourth interim, tax exempt	0.2	839

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. OPERATING SEGMENTS

The Group operates principally in Malaysia and in the manufacture and sale of packaging materials, polyethylene, polypropylene films and sheets. The Group's assets and liabilities are basically in Malaysia.

The Group's operation is divided into local and export market. The local market relates to sales to customers within Malaysia. The export market relates to sales to overseas customers with South East Asia being the principal market segment.

	2017 RM'000	2016 RM'000
Revenue		
- Local	103,522	99,412
- Export	100,757	111,530
	204,279	210,942

Major customers

The following is a major customer (all companies under common control) with revenue equal or more than 10% of the Group's total revenue:

Segment

	Revenue	
	2017 RM'000	2016 RM'000
Export market	35,290	48,512
Local market	55,360	60,019
	90,650	108,531

19. CONTINGENT LIABILITIES

	Company	
	2017 RM'000	2016 RM'000
Unsecured		
Corporate guarantees given to banks in respect of outstanding short term borrowings of a subsidiary	18,803	9,381

	Group	
	2017 RM'000	2016 RM'000
Secured		
Property, plant and equipment charged to banks as security for banking facilities granted to a subsidiary	31,954	24,750

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. CAPITAL COMMITMENTS

	2017	Group	2016
	RM'000		RM'000
Capital expenditure commitments			
Plant and equipment			
Contracted but not provided for	23,307		88,463

21. FINANCIAL INSTRUMENTS

21.1 Categories of financial instruments

All financial assets and liabilities are categorised as loans and receivables and other liabilities in accordance with the Group's accounting policies as disclosed in Note 2 (c).

21.2 Net gains and losses arising from financial instruments

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Net gains/(losses) on:				
Loans and receivables	1,345	(3,994)	55	72
Financial liabilities measured at amortised cost	(1,416)	3,661	-	-
	(71)	(333)	55	72

21.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

21.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its trade receivables from customers.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are performed on customers requiring credit over a certain amount.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. FINANCIAL INSTRUMENTS (CONT'D)

21.4 Credit risk (Cont'd)

Receivables (Cont'd)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

The Group has significant concentrations of credit risk arising from amounts due from three (2016: three) major customers, representing 70% (2016: 68%) of the Group's and the Company's trade receivables.

Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these trade receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any trade receivables having significant balances past due more than respective credit terms, which are deemed to have higher credit risk, are monitored individually.

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
Group			
2017			
Not past due	32,768	–	32,768
Past due 0 - 60 days	14,405	–	14,405
Past due 61 - 120 days	1,196	–	1,196
Past due more than 120 days	1,198	(241)	957
	49,567	(241)	49,326
2016			
Not past due	41,313	–	41,313
Past due 0 - 60 days	8,154	–	8,154
Past due 61 - 120 days	134	(37)	97
Past due more than 120 days	1,223	(417)	806
	50,824	(454)	50,370

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. FINANCIAL INSTRUMENTS (CONT'D)

21.4 Credit risk (Cont'd)

Receivables (Cont'd)

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group	
	2017	2016
	RM'000	RM'000
At 1 January	454	70
Impairment loss recognised	–	402
Bad debts recovered	(213)	(18)
At 31 December	241	454

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to a subsidiary. The Company monitors on an ongoing basis the results of the subsidiary and repayments made by the subsidiary.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM18,803,379 (2016: RM9,380,863) representing the outstanding banking facilities of the subsidiary as at the end of the reporting period.

As at the end of the reporting period, there was no indication that the subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

21.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. FINANCIAL INSTRUMENTS (CONT'D)

21.5 Liquidity risk (Cont'd)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2017							
Group							
Non-derivative financial liabilities							
Secured term loans	31,954	3.48 - 1.25 + SIBOR	34,115	8,310	8,259	17,016	530
Unsecured trust receipts	18,803	2.54 - 3.40	18,803	18,803	-	-	-
Trade and other payables	32,162	-	32,162	32,162	-	-	-
Dividends payable	230	-	230	230	-	-	-
	83,149		85,310	59,505	8,259	17,016	530
Company							
Non-derivative financial liabilities							
Other payables	473	-	473	473	-	-	-
Dividends payable	230	-	230	230	-	-	-
Financial guarantee	-	-	18,803*	18,803	-	-	-
	703		19,506	19,506	-	-	-
2016							
Group							
Non-derivative financial liabilities							
Secured term loans	24,750	6.00 - 1.25 + SIBOR	26,660	5,415	6,417	14,828	-
Unsecured trust receipts	9,381	1.87 - 2.90	9,424	9,424	-	-	-
Trade and other payables	36,194	-	36,194	36,194	-	-	-
Dividends payable	156	-	156	156	-	-	-
	70,481		72,434	51,189	6,417	14,828	-
Company							
Non-derivative financial liabilities							
Other payables	525	-	525	525	-	-	-
Dividends payable	156	-	156	156	-	-	-
Financial guarantee	-	-	9,381*	9,381	-	-	-
	681		10,062	10,062	-	-	-

* represents the amount outstanding as disclosed in Note 21.4.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. FINANCIAL INSTRUMENTS (CONT'D)

21.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than Ringgit Malaysia. The currencies giving rise to this risk are primarily Euro Dollar ("EUR"), US Dollar ("USD"), Singapore Dollar ("SGD") and Japanese Yen ("JPY").

There is no formal hedging policy with respect to foreign currency exposure. Exposure to foreign currency is monitored on an ongoing basis and the Group endeavours to keep the net exposure at an acceptable level.

Exposure to foreign currency risk

The Group's exposure to foreign currency (currencies which is other than the functional currencies of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	← Denominated in →			
	EUR RM'000	USD RM'000	JPY RM'000	SGD RM'000
2017				
Trade receivables	-	19,435	-	59
Other receivables	-	5,754	1,668	26
Cash and cash equivalents	-	619	-	1,107
Unsecured trust receipts	-	(27,942)	-	(4,012)
Secured term loan	-	(18,803)	-	-
Trade payables	-	(1,035)	-	(234)
Other payables	(1,716)	(194)	(113)	(123)
	(1,716)	(22,166)	1,555	(3,177)
2016				
Trade receivables	-	20,934	-	120
Other receivables	4,732	540	1,776	6
Cash and cash equivalents	-	2,853	-	97
Unsecured trust receipts	-	(18,372)	-	(6,377)
Secured term loan	-	(9,381)	-	-
Trade payables	-	(2,253)	-	(359)
Other payables	(41)	(2,575)	(1,172)	(468)
	4,691	(8,254)	604	(6,981)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. FINANCIAL INSTRUMENTS (CONT'D)

21.6 Market risk (Cont'd)

Currency risk (Cont'd)

Currency risk sensitivity analysis

A 10% (2016: 10%) strengthening of the Ringgit Malaysia against the following currencies at the end of the reporting period would have increased (decreased) post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss	
	2017	2016
	RM'000	RM'000
EUR	130	(357)
USD	1,685	627
JPY	(118)	(46)
SGD	241	531

A 10% (2016: 10%) weakening of Ringgit Malaysia against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

The Group's fixed rate deposit and borrowings are exposed to a risk of change in their fair value due to changes in interest rates.

Risk management objectives, policies and processes for managing the risk

There is no formal hedging policy with respect to interest rate exposure. Exposure to interest rate risk is monitored on an ongoing basis and the Group endeavours to keep the exposure at an acceptable level.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. FINANCIAL INSTRUMENTS (CONT'D)

21.6 Market risk (Cont'd)

Interest rate risk (Cont'd)

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at end of the reporting period:

	2017	2016
	RM'000	RM'000
Fixed rate instruments		
Financial assets	1,000	1,700
Financial liabilities	(18,803)	(9,381)
	(17,803)	(7,681)
Floating rate instruments		
Financial liabilities	(31,954)	(24,750)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased (decreased) post-tax profit or loss of the Group by RM243,000 (2016: RM188,000). This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

21.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate their fair values due to the relatively short term nature of these financial instruments.

The carrying amount of the floating rate term loans approximates its fair values as the interest rate is expected to correspond to the movements in the market interest rate.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22. CAPITAL MANAGEMENT

The Group's capital is represented by its total equity in the statement of financial position. The Directors monitor the adequacy of capital on an ongoing basis.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

During 2017, the Group's strategy, which was unchanged from 2016, was to maintain the debt-to-equity ratio at below 1.00 time. The debt-to-equity ratios at 31 December 2017 and at 31 December 2016 were as follows:

	Group	
	2017	2016
	RM'000	RM'000
Total borrowings (Note 9)	50,757	34,131
Less: Cash and cash equivalents (Note 7)	(10,492)	(30,906)
	40,265	3,225
Total equity	194,740	188,769
Debt-to-equity-ratios	0.21	0.02

The subsidiary of the Group, Tomypak Flexible Packaging Sdn. Bhd. is required under loan covenants to maintain a gearing ratio of not exceeding 1.00 times and tangible net worth of not less than RM45 million, failing which the bank may call an event of default.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, 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. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its subsidiaries and key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Note 6.

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
A. Subsidiaries				
Dividend receivable	-	-	14,250	30,000
B. Company in which a Director has a substantial financial interest				
Sales of goods	-	1	-	-
C. Company in which a Director of the subsidiary has a substantial financial interest				
Purchases	1,060	963	-	-
Rental expense	-	2	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. RELATED PARTIES (CONT'D)

Significant related party transactions (Cont'd)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
D. Company with a parent company that has a common Director with the Company				
Sales of goods	1,338	37	–	–
E. Key management personnel compensation				
Directors:				
- Fees	405	435	405	435
- Remuneration	1,385	1,953	11	19
- Contributions to state plans	172	232	–	–
- Equity settled share-based transaction	–	604	–	216
Total short-term employee benefits	1,962	3,224	416	670
Other key management personnel:				
- Remuneration	332	641	–	–
- Contributions to state plans	46	36	–	–
- Equity settled share-based transaction	–	129	–	–
	378	806	–	–
	2,340	4,030	416	670

Other key management personnel comprise persons other than the Directors of the Company, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

The estimated monetary value of Directors' benefit-in-kind for the Company is RM35,952 (2016: RM80,499).

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 60 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 December 2017 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Yong Kwet On
Director

Lim Hun Swee
Director

Johor Bahru

Date: 30 April 2018

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Tan See Yin**, the Director primarily responsible for the financial management of **TOMYPAK HOLDINGS BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 60 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 above named Tan See Yin, NRIC: 560709-06-5043, MIA CA 4126, at Johor Bahru in the State of Johor on 30 April 2018

Tan See Yin

Before me:

Lau Lay Sung
Commissioner for Oaths
J-246

INDEPENDENT AUDITORS' REPORT

To the members of Tomy Pak Holdings Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Tomy Pak Holdings Berhad, which comprise the statements of financial position as at 31 December 2017 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 60 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 December 2017, and of their financial performance and their cash flows for the 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 auditors' 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' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

INDEPENDENT AUDITORS' REPORT (CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

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 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.

Physical inventory count and determination of variance adjustments	
Refer to Note 2(f) - Significant accounting policy: Inventories and Note 5 – Inventories	
The key audit matter	How the matter was addressed in our audit
<p>The Group performed monthly count for inventories since it shifted part of its operation to Senai in July 2017. However the count variances for the period from July to November 2017 were not finalised and hence, not adjusted to the inventory system.</p> <p>The Group did not perform 100% count on its inventories on 31 December 2017 but a full count was subsequently determined to be necessary. Thereafter, the Group conducted a 100% count on 6 January 2018 with a roll-back to 31 December 2017 in order to determine the variance adjustment on 31 December 2017. Arising from this, a variance adjustment of RM1.6million, being the shortfall of the value of the physical quantities as compared to the quantities in the inventory system, was made to the management accounts.</p> <p>To further determine the accuracy of the above variance adjustment, the Group have conducted a full count on 28 February 2018, reviewed the count variances and assessed the reasonableness of the contribution margin, being the revenue net of cost of materials for the 2 months period ended 28 February 2018 and concluded that the variance adjustment for the year ended 31 December 2017 is reasonable.</p>	<ul style="list-style-type: none"> • We have attended the full count performed by the management on 6 January 2018 to observe the count procedures and performed our sample count. • We have obtained the inventory count tickets compilation report and tested its completeness by agreeing the counted quantities to inventory count tickets or vice versa, on a sample basis. We have also agreed our sample count items to the inventory count tickets compilation report. • We have obtained the roll-back report for the physical count quantities as at 6 January 2018 to 31 December 2017 and tested its completeness by agreeing the counted quantities to the inventory count ticket compilation report and its accuracy by testing the movement to stock transfer order, goods received note and delivery order, on a sample basis. • We have reviewed management's assessment and analysis on the variances and on a sample basis, tested to relevant supporting documents such as disposal form, stock requisition form, stock out report etc. • We have attended the full count on 28 February 2018 and reviewed management's conclusion on the variance adjustment and the management's assessment on the reasonableness of contribution margin for the 2 months period ended 28 February 2018.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

INDEPENDENT AUDITORS' REPORT (CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

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 Directors' Report (but does not include the financial statements of the Group and of the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditors' report, 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.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

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 ability of the Group and of the Company 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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

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 internal control of the Group and of the Company.
- 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 ability of the Group or of the Company 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.
- 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 gives a true and fair view.
- 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, related safeguards.

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 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 auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT (CONT'D)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 4 to the financial statements.

OTHER MATTER

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.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Tan Teck Eng
Approval Number: 2986/05/18 (J)
Chartered Accountant

Johor Bahru

Date: 30 April 2018

ANALYSIS OF SHAREHOLDINGS

as at 30th March 2018

Total number of issued shares	:	419,732,670
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share
No. of Shareholders	:	3,412

DISTRIBUTION OF SHAREHOLDINGS

Range of Shares	No. of Shareholders	Percentage (%)	No. of Shares	Percentage (%)
Less than 100	83	2.43	3,033	–
100 - 1,000	223	6.54	127,762	0.03
1,001 - 10,000	1,212	35.52	6,983,467	1.66
10,001 - 100,000	1,617	47.39	49,593,550	11.82
100,001 to less than 5% of issued shares	272	7.97	206,540,806	49.21
5% and above of issued shares	5	0.15	156,484,052	37.28
Total	3,412	100.00	419,732,670	100.00

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 30TH MARCH 2018

No.	Name of Substantial Shareholders	Interest in Shares		Note	* Percentage %
		Direct	Deemed		Total
1	New Orient Resources Sdn. Bhd.	102,202,752	–		24.36
3	Yong Kwet On	1,117,087	102,202,752	a	24.63
4	Lim Hun Swee	67,867,012	–		16.18
5	Tan Sri Dato' Seri Arshad Bin Ayub	13,530,837	21,781,300	b	8.42
6	Zalaraz Sdn. Bhd.	21,781,300	–		5.19

DIRECTORS' INTERESTS IN SHARES AS AT 30TH MARCH 2018

No.	Name of Directors	Interest in Shares		Note	* Percentage %
		Direct	Deemed		Total
1	Tan Sri Dato' Seri Arshad Bin Ayub	13,530,837	21,781,300	b	8.42
2	Lim Hun Swee	67,867,012	–		16.18
3	Chin Cheong Kee @ Chin Song Kee	427,087	–		0.10
4	Yong Kwet On	1,117,087	102,202,752	a	24.63
5	Tan See Yin	821,007	–		0.20
6	To' Puan Rozana Binti Tan Sri Redzuan	340,000	–		0.08

Note:

a By virtue of his substantial shareholdings in New Orient Resources Sdn. Bhd.

b By virtue of his substantial shareholdings in Zalaraz Sdn. Bhd.

* The percentage of shareholding is computed based on the total number of issued shares of 419,732,670 shares less 192,000 treasure shares held by the Company as at 30 March 2018

ANALYSIS OF SHAREHOLDINGS (CONT'D)

LIST OF TOP 30 SHAREHOLDERS AS AT 30TH MARCH 2018

No.	Name of Shareholders	No. of Shares Held	Percentage (%)
1	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NEW ORIENT RESOURCES SDN BHD	54,202,752	12.92
2	RHB NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM HUN SWEE	32,500,000	7.75
3	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NEW ORIENT RESOURCES SDN BHD	27,000,000	6.44
4	ZALARAZ SDN BHD	21,781,300	5.19
5.	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NEW ORIENT RESOURCES SDN BHD	21,000,000	5.00
6	LIM HUN SWEE	15,702,012	3.74
7	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEW HON CHOY (7003209)	13,077,500	3.12
8	CIMSEC NOMINEES (ASING) SDN BHD CIMB BANK FOR ABDUL AZIZ BIN MOHAMED HUSSAIN (MY0324)	12,085,800	2.88
9	ALLIANCEGROUP NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM HUN SWEE (8108460)	11,742,500	2.80
10	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ARSHAD BIN AYUB	10,105,000	2.41
11	RHB CAPITAL NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM HUN SWEE (CEB)	7,922,500	1.89
12	CHOW YUEN KOU	7,500,000	1.79
13	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SYED MOHD YUSOF BIN TUN SYED NASIR (MARGIN)	5,100,000	1.22
14	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH KIN LIP	4,500,000	1.07
15	TAN BEE LAY	3,888,000	0.93

ANALYSIS OF SHAREHOLDINGS (CONT'D)

LIST OF TOP 30 SHAREHOLDERS AS AT 30TH MARCH 2018 (CONT'D)

No.	Name of Shareholders	No. of Shares Held	Percentage (%)
16	CHEW HON CHOY	3,560,000	0.85
17	AMANAHRAYA TRUSTEES BERHAD PB SMALLCAP GROWTH FUND	3,326,900	0.79
18	SHIN LAI HAR THERESA	3,250,000	0.77
19	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR LIM CHIN HORNG (M12035)	3,168,300	0.76
20	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR ARSHAD BIN AYUB (MY1393)	3,083,750	0.74
21	AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND	3,072,500	0.73
22	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHONG MEI KUAN	2,965,000	0.71
23	LIM CHIN HORNG	2,631,700	0.63
24	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAW SIEW LAN (MX2700)	2,220,000	0.53
25	SOW KIM SWEE	2,182,000	0.52
26	CHONG LEE FONG	2,085,000	0.50
27	TAN AH PING	2,015,000	0.48
28	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAN KIM HEUNG (MY1989)	2,000,000	0.48
29	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JAGDISHPAL SINGH A/L DARSHAN SINGH (6000095)	1,840,000	0.44
30	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM HUNG THIAM (7000997)	1,770,000	0.42
TOTAL		287,277,514	68.50

ANALYSIS OF WARRANT HOLDINGS

as at 30th March 2018

No. of warrants issued	:	136,834,414
No. of warrants unexercised	:	136,834,414
Exercise Price	:	RM0.92 per warrant
Issue Date	:	21 June 2016
Expiry Date	:	21 June 2021
No. of warrant holders	:	1,203

DISTRIBUTION OF WARRANT HOLDINGS AS AT 30TH MARCH 2018

Range of Shares	No. of Shareholders	Percentage (%)	No. of Shares	Percentage (%)
Less than 100	44	3.66	1,191	–
100 - 1,000	68	5.65	22,670	0.02
1,001 - 10,000	455	37.82	2,535,350	1.85
10,001 - 100,000	496	41.23	16,202,950	11.84
100,001 to less than 5% of issued warrants	138	11.47	91,888,503	67.15
5% and above of issued warrants	2	0.17	26,183,750	19.14
Total	1,203	100.00	136,834,414	100.00

DIRECTORS' INTERESTS IN WARRANTS AS AT 30TH MARCH 2018

No.	Name of Directors	Interest in Shares		* Percentage %
		Direct	Deemed	Total
1	Tan Sri Dato' Seri Arshad Bin Ayub	–	2,180,000	1.59
	Lim Hun Swee	21,925,000	–	16.02
3	Chin Cheong Kee @ Chin Song Kee	–	–	–
4	Yong Kwet On	–	–	–
5	Tan See Yin	–	–	–
6	To' Puan Rozana Binti Tan Sri Redzuan	–	–	–

ANALYSIS OF WARRANT HOLDINGS (CONT'D)

LIST OF TOP 30 WARRANT HOLDERS AS AT 30TH MARCH 2018

No.	Name of Warrant Holders	No. of Warrant Held	Percentage (%)
1	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEW WENG KIT	14,000,000	10.23
2	RHB NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM HUN SWEE	12,183,750	8.90
3	CHEW HON CHOY	6,280,000	4.59
4	ALLIANCEGROUP NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM HUN SWEE (8108460)	4,916,250	3.59
5	TEH BEE GAIK	4,406,800	3.22
6	TAN BEE LAY	3,772,500	2.76
7	RHB CAPITAL NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM HUN SWEE (CEB)	3,307,500	2.42
8	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR KHONG MEI KUAN (MY2501)	3,098,000	2.26
9	LIFETIME LEARNING SDN BHD	2,653,700	1.94
10	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-R ES)	2,502,900	1.83
11	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JAGDISHPAL SINGH A/L DARSHAN SINGH (6000095)	2,420,000	1.77
12	KANG MOONSERK	2,400,000	1.75
13	SOH POH TECK	2,318,900	1.70
14	ZALARAZ SDN BHD	2,180,000	1.59
15	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP LIAN KEOW (E-KPG/JJG)	1,999,500	1.46

ANALYSIS OF WARRANT HOLDINGS (CONT'D)

LIST OF TOP 30 WARRANT HOLDERS AS AT 30TH MARCH 2018 (CONT'D)

No.	Name of Warrant Holders	No. of Warrant Held	Percentage (%)
16	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR NG WEI CHEN (MY2114)	1,799,850	1.32
17	SOW KIM CHYE	1,550,000	1.13
18	LIM HUN SWEE	1,517,500	1.11
19	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JOEL CHEW JOON SOON	1,500,050	1.10
20	NG WAI YIP	1,500,000	1.10
21	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHONG MEI KUAN	1,365,000	1.00
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD YEOH REN BAO	1,350,000	0.99
23	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TING CHOONG SING (E-KPG)	1,248,000	0.91
24	KHONG MEI KUAN	1,225,000	0.90
25	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SOW KENG KEN (E-KPG/JJG)	1,100,000	0.80
26	SIM LI WEN	1,099,000	0.80
27	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEW WENG KIT (6000304)	1,001,900	0.73
28	TUNG SAU KAM	962,500	0.70
29	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD	947,500	0.69
30	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NYONG CHYE SENG (S PETALING-CL)	935,000	0.68
Total		87,541,100	63.97

SHARE BUY-BACK STATEMENT

In relation to the Proposed Renewal of Shareholders' approval for Share Buy-Back by the Company up to ten percent (10%) of the total number of issued shares of the Company ("Proposed Share Buy-Back")

1. DISCLAIMER STATEMENT

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused this Share Buy-Back Statement prior to its issuance as it is an exempt document. Bursa Securities takes no responsibility for the contents of this Share Buy-Back Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Share Buy-Back Statement.

2. INTRODUCTION

Tomy Pak Holdings Berhad ("Tomy Pak" or "the Company") had on 4 April 2018, announced that the Company proposes to seek shareholders' approval for the proposed renewal of shareholders' approval for share buy-back by the Company up to ten percent (10%) of the total number of issued shares of the Company ("Proposed Share Buy-Back") at its forthcoming Twenty Third Annual General Meeting ("23rd AGM") to be convened.

The purpose of this Statement is to provide you with information on the Proposed Share Buy-Back, to set out the recommendation of your Board of Directors ("Board") and to seek your approval for the resolution pertaining to the renewal of shareholders' approval for the Proposed Share Buy-Back to be tabled at the forthcoming 23rd AGM of the Company to be convened at Melati Hall, Palm Resort Golf & Country Club, Jalan Persiaran Golf, Off Jalan Jumbo, 81250 Senai, Johor, Malaysia on Friday, 1 June, 2018 at 9.30 a.m., notice of which is set out on page 134 to 139 of the Annual Report of the Company.

3. DETAILS OF THE PROPOSED SHARE BUY-BACK

At the Twenty Second Annual General Meeting of the Company held on 18 May 2017, the Company obtained its shareholders' approval for the Company to purchase and/or hold up to ten percent (10%) of the total number of issued shares of the Company.

In accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") governing the purchase of own shares by a listed company, the aforesaid approval obtained at the Company's AGM held on 18 May 2017 will expire at the conclusion of the forthcoming 23rd AGM of the Company which will be held on 1 June 2018 unless the mandate is renewed.

The Board proposes to seek approval from the shareholders for a renewal of shareholders' approval for the Proposed Share Buy-Back. As at 30 March 2018, the share capital of Tomy Pak is RM108,819,215.66 comprising 419,732,670 ordinary shares ("Tomy Pak Shares").

The Company had purchased an aggregate of 430,100 of its own shares for the previous twelve (12) months preceding the date of this Statement and the last purchase was made on 12 April 2018. All the Tomy Pak Shares purchased were retained as treasury shares and the total cumulative treasury shares held as at 30 April 2018 was 430,100.

Information on the shares purchased and resold by the Company during the financial year ended 31 December 2017 is set out in page 35 of the 2017 Annual Report.

As at 31 March 2018, the total number of issued shares of the Company is 419,732,670 ordinary shares. The maximum number of Tomy Pak shares which may be purchased by the Company pursuant to the Proposed Share Buy-Back will be ten percent (10%) of the prevailing number of issued shares of the Company.

SHARE BUY-BACK STATEMENT (CONT'D)

3. DETAILS OF THE PROPOSED SHARE BUY-BACK (CONT'D)

The renewal of shareholders' approval for the Proposed Share Buy-Back shall be effective upon the passing of the resolution at the forthcoming 23rd AGM of Tomypak until:

- (i) the conclusion of the next AGM of the Company following the general meeting at which such resolution was passed at which time it shall lapse unless by ordinary resolution passed at that meeting, the shareholders' approval is renewed, either unconditionally or subject to conditions;
 - (ii) the expiration of the period within which the next AGM after that date is required by law to be held; or
 - (iii) revoked or varied by ordinary resolution passed by the shareholders in general meeting,
- whichever occurs first.

4. POTENTIAL ADVANTAGES AND DISADVANTAGES

The Proposed Share Buy-Back is expected to potentially benefit the Company and its shareholders as follows:

- (i) The Company may be able to stabilise the supply and demand of Tomypak Shares in the open market thereby supporting their fundamental value;
- (ii) The Proposed Share Buy-Back provides Tomypak the option to return its surplus financial resources to the shareholders of Tomypak by enhancing the return-on-equity of Tomypak Shares via the purchase of Tomypak Shares in the market;
- (iii) The Proposed Share Buy-Back may enhance the earnings per share of the Company (in the case where the Board resolves to cancel the shares so purchased) and thereby long term and genuine investors are expected to enjoy a corresponding increase in the value of their investments in the Company; and
- (iv) If the shares bought back are kept as treasury shares, it will give the Board an option to sell the shares so purchased at a higher price and therefore make an exceptional gain for the Company. Alternatively, the shares so purchased can be distributed as share dividends to shareholders.

However, the Proposed Share Buy-Back, if exercised, will reduce the financial resources of the Company, which may result in the Company foregoing other investment opportunities that may emerge in the future and may also reduce the amount of cash dividends that can be declared to shareholders. In the event that the Proposed Share Buy-Back is funded by bank borrowings, the Company's net cash flow may decline to the extent of the interest costs associated with such borrowings. Nevertheless, the Board will be mindful of the interests of the Company and the shareholders in implementing the Proposed Share Buy-Back.

5. SOURCE OF FUNDS AND TREATMENT

5.1 Source of Funds

The Company proposes to utilise internally generated funds to finance the Proposed Share Buy-Back. The Board proposes to allocate a maximum amount of up to the latest audited retained profits of the Company for the purchase of its own shares subject to compliance with Section 127 of the Companies Act, 2016 ("the Act") and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities at the time of the purchase. As at 31 December 2017, the Company's audited retained profit amounted to RM8.163 million. Based on the latest unaudited management accounts as at 30 March 2018, the retained profit of the Company amounted to approximately RM8.5 million. The Company shall ensure that the maximum funds to be utilised for the Proposed Share Buy-Back shall not exceed the aggregate of the retained profits of the Company.

SHARE BUY-BACK STATEMENT (CONT'D)

5. SOURCE OF FUNDS AND TREATMENT (CONT'D)

5.1 Source of Funds (Cont'd)

The Proposed Share Buy-Back will allow the Board to purchase and hold the Company's shares at any time within the period of validity as mentioned in Item 3. above using internally generated funds of the Company and/or external borrowings. The amount of internally generated funds and/or external borrowings to be utilised will only be determined later depending on the actual number of shares to be purchased, the price of the shares and availability of funds at the time of the purchase(s). In the event that the Proposed Share Buy-Back is to be financed by external borrowings, the Board shall ensure that the Company will have sufficient funds to repay the external borrowings and that such repayment will have no material effect on its cash flow.

5.2 Treatment of Shares Buy-Back

Section 127 the Act allows the treatment of purchased shares to be cancelled upon purchase, held as treasury shares or combination of both. Purchased shares held as treasury shares may be distributed as share dividends, resold on Bursa Securities in accordance with the relevant rules of Bursa Securities or subsequently cancelled.

While the purchased shares are held as treasury shares, the rights attached to them in relation to voting, dividends and participation in any other distributions or otherwise are suspended and the treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares in the Company for any purposes including substantial shareholding, take-overs, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.

An immediate announcement will be made to Bursa Securities in respect of the intention of our Directors to either retain the purchased shares or cancel them or a combination of both following any transactions executed pursuant to the approval granted under the Proposed Share Buy-Back.

5.3 Pricing

Tomy Pak may only purchase its own shares at a price which is not more than fifteen percent (15%) above the weighted average market price ("WAMP") of Tomy Pak Shares for the past five (5) market days immediately preceding the date of the purchase(s).

The treasury shares arising from the share buy-back shall be resold, if so determined by the Board, at a price that is:-

- (a) not less than the WAMP of Tomy Pak Shares for the past five (5) market days immediately preceding the date of the resale; or
- (b) at a discount of not more than five percent (5%) to the five (5) market days WAMP of Tomy Pak Shares immediately prior to the resale, provided that: -
 - (i) the resale take place no earlier than thirty (30) days from the date of purchase; and
 - (ii) the resale price is not less than the cost of purchase of the shares being resold.

SHARE BUY-BACK STATEMENT (CONT'D)

6. EFFECTS OF THE PROPOSED SHARE BUY-BACK

Assuming the Proposed Share Buy-Back is implemented in full, the effects of the Proposed Share Buy-Back on the share capital, earnings, net assets ("NA"), working capital, gearing and shareholding structure of the Directors and substantial shareholders are set out below:

6.1 Share Capital

The effect of the Proposed Share Buy-Back on the issued share capital of the Company as at 30 March 2018 is as follows:-

Description	Minimum Scenario ⁽¹⁾ No. of Tomypak Shares ⁽²⁾
Total number of issued shares as at 30 March 2018	419,732,670
Less maximum number of shares which may be purchased and cancelled pursuant to the Proposed Share Buy-Back (10%)	(41,973,267)
Resultant number of issued shares upon completion of the cancellation of the maximum number of Purchased Shares	377,759,403

Description	Maximum Scenario ⁽³⁾ No. of Tomypak Shares ⁽²⁾
Total number of issued shares as at 30 March 2018	419,732,670
To be issued upon the completion of the following:	
(i) full exercise of warrants	136,834,414
	556,567,084
(ii) full exercise of Employees' Share Option Scheme (15% of the total number of issued shares)	83,485,063
Enlarged number of issued shares	640,052,147
Less maximum number of shares which may be purchased and cancelled pursuant to the Proposed Share Buy-Back (10%)	(64,005,215)
Resultant number of issued shares upon completion of (i) and (ii) above and cancellation of the maximum number of Purchased Shares	576,046,932

Note:

- (1) Minimum scenario assumes that (i) and (ii) above were not exercised prior to the Proposed Share Buy-Back.
- (2) The total number of issued shares of the Company is inclusive of the treasury shares, if any held by the Company. As at 30 March 2018, the number of treasury shares held by the Company was 192,000.
- (3) Maximum scenario assumes that (i) and (ii) above were implemented prior to the Proposed Share Buy-Back.

However, the Proposed Share Buy-Back will have no effect on the total number of issued shares if all the Tomypak Shares purchased are to be retained as treasury shares, resold or distributed to our shareholders.

SHARE BUY-BACK STATEMENT (CONT'D)

6. EFFECTS OF THE PROPOSED SHARE BUY-BACK (CONT'D)

6.2 Earnings

The effect of the Proposed Share Buy-Back on the earnings per share of Tomypak Group will depend on the purchase prices of Tomypak Shares and any loss in interest income to the Company.

If the Tomypak Shares purchased are held as treasury shares or cancelled, the lower number of Tomypak Shares used in the computation of the earnings per share is expected to result in a general increase in the earnings per share ("EPS") of Tomypak Group. In the event the Tomypak Shares purchased are resold subsequently depending on the price at which the said shares are resold, the Proposed Share Buy-Back may have a positive effect on the EPS of Tomypak Group if there is a gain in the disposal and vice versa.

6.3 NA

The Proposed Share Buy-Back is likely to reduce the NA per share of Tomypak Group if the purchase price exceeds the NA per share of the Group at the time of purchase and vice versa.

In the event the Treasury Shares are resold on Bursa Securities, the NA per share of Tomypak Group will increase assuming that a gain has been realized and vice versa. Again, the quantum of the increase in NA will depend on, inter alia, the number of purchased shares, the purchase price of such shares, the effective funding cost to Tomypak Group to finance the purchased shares or any loss in interest income to the Group and the proposed treatment of the purchased shares.

6.4 Working Capital

The Proposed Share Buy-Back would reduce the working capital and cash flow of Tomypak Group, the quantum of which will depend on the purchase prices of Tomypak Shares and the number of Tomypak Shares purchased.

For purchased shares which are kept as treasury shares, upon their resale, the working capital and cash flow of Tomypak Group will increase upon receipt of the proceeds of the resale. The quantum of such increase will depend on the actual selling price(s) and the number of the treasury shares resold.

6.5 Gearing

The effect of the Proposed Share Buy-Back in the gearing of the Company will depend on the proportion of borrowings utilised to fund any purchase of Tomypak Shares. The utilisation of any borrowings to fund the purchase of any Tomypak Shares will serve to increase the gearing of the Company.

SHARE BUY-BACK STATEMENT (CONT'D)

6. EFFECTS OF THE PROPOSED SHARE BUY-BACK (CONT'D)

6.6 Directors' and Substantial Shareholders' Shareholdings

The proforma effects of the Proposed Share Buy-Back on the shareholdings of the Directors and the substantial shareholders of Tomypak, based on the Register of Directors' Shareholdings and Register of Substantial Shareholders' shareholdings of the Company as at 31 March 2017 assuming Tomypak Shares are purchased from shareholders other than the Directors and/or substantial shareholders of the Company, are set out below:-

Directors / Substantial Shareholders	Shares held as at 31 March 2018 ⁽¹⁾				After full exercise of Proposed Share Buy-Back ⁽²⁾			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Tan Sri Dato' Seri Arshad bin Ayub	13,530,837	3.22	21,742,000 ⁽³⁾	5.18	13,530,837	3.58	21,742,000 ⁽³⁾	5.76
Lim Hun Swee	67,867,012	16.17	-	-	67,867,012	17.96	-	-
Chin Cheong Kee @ Chin Song Kee	427,087	0.10	-	-	427,087	0.11	-	-
Yong Kwet On	1,117,087	0.27	102,202,752 ⁽⁴⁾	24.35	1,117,087	0.30	102,202,752 ⁽⁴⁾	27.05
Tan See Yin	821,007	0.19	-	-	821,007	0.22	-	-
To' Puan Rozana Binti Tan Sri Redzuan	340,000	0.08	-	-	340,000	0.09	-	-
New Orient Resources Sdn. Bhd.	102,202,752	24.35	-	-	102,202,752	27.05	-	-
Zalaraz Sdn. Bhd.	21,742,000	5.18	-	-	21,742,000	5.76	-	-

Notes:-

- (1) The percentage shareholding is calculated based on 419,732,670
- (2) The percentage shareholding is calculated based on 377,759,403
- (3) Deemed interested by virtue of his substantial shareholding in Zalaraz Sdn. Bhd.
- (4) Deemed interested by virtue of his substantial shareholding in New Orient Resources Sdn. Bhd.

SHARE BUY-BACK STATEMENT (CONT'D)

6. EFFECTS OF THE PROPOSED SHARE BUY-BACK (CONT'D)

6.6 Directors' and Substantial Shareholders' Shareholdings (Cont'd)

The proforma effects assuming full exercise of warrants and Employees' Share Option Scheme ("ESOS") and implementation of the Proposed Share Buy-Back on the shareholdings of the Directors and the substantial shareholders of Tomypak, based on the Register of Directors' Shareholdings and Register of Substantial Shareholders' shareholdings of the Company as at 30 March 2018 assuming Tomypak Shares are purchased from shareholders other than the Directors and/or substantial shareholders of the Company, are set out below:-

Directors / Substantial Shareholders	Shares held as at 30 March 2018				Assuming full exercise of warrants and ESOS (f) ⁽¹⁾				After (f) and full exercise of Proposed Share Buy-Back ⁽²⁾			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No of Shares	%	No. of Shares	%	No of Shares	%	No. of Shares	%	No of Shares	%	No. of Shares	%
Tan Sri Dato' Seri Arshad bin Ayub	13,530,837	3.22	21,742,000 ⁽³⁾	5.18	13,530,837	2.11	21,742,000 ⁽³⁾	3.40	13,530,837	2.35	21,742,000 ⁽³⁾	3.77
Lim Hun Swee	67,867,012	16.17	-	-	89,792,012	14.03	-	-	89,792,012	15.59	-	-
Chin Cheong Kee @ Chin Song Kee	427,087	0.10	-	-	427,087	0.07	-	-	427,087	0.07	-	-
Yong Kwet On	1,117,087	0.27	102,202,752 ⁽⁴⁾	24.35	1,117,087	0.17	102,202,752 ⁽⁴⁾	15.97	1,117,087	0.19	102,202,752 ⁽⁴⁾	17.74
Tan See Yin	821,007	0.19	-	-	821,007	0.13	-	-	821,007	0.14	-	-
To' Puan Rozana Binti Tan Sri Redzuan	340,000	0.08	-	-	340,000	0.05	-	-	340,000	0.06	-	-
New Orient Resources Sdn. Bhd.	102,202,752	24.35	-	-	102,202,752	15.97	-	-	102,202,752	17.74	-	-
Zalaraz Sdn. Bhd.	21,742,000	5.18	-	-	21,742,000	3.40	-	-	21,742,000	3.77	-	-

Notes:-

- (1) The percentage shareholding is calculated based on 640,052,147
- (2) The percentage shareholding is calculated based on 576,046,932
- (3) Deemed interested by virtue of his substantial shareholding in Zalaraz Sdn. Bhd.
- (4) Deemed interested by virtue of his substantial shareholding in New Orient Resources Sdn. Bhd.

SHARE BUY-BACK STATEMENT (CONT'D)

7. PUBLIC SHAREHOLDING SPREAD

As at 30 March 2018, the public shareholding spread of the Company is approximately 50.44%. Assuming that the Company purchases up to a maximum of 41,973,267 Tomypak Shares from the public shareholders, representing approximately ten percent (10%) of the total number of issued shares as at 30 March 2018, and that the Tomypak Shares purchased are either retained as treasury shares or cancelled, the public shareholding spread is expected to be reduced to approximately 40.5 %.

The Board is mindful of the requirement that any purchase of Tomypak Shares by the Company must not result in the public shareholding spread of the Company falling below 25% of its listed shares.

8. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Save for the inadvertent increase in the percentage shareholdings and/or voting rights of the Directors and substantial shareholders of Tomypak as a consequence of the Proposed Share Buy-Back, none of the Directors and substantial shareholders of Tomypak or persons connected to them, have any interest, direct or indirect, in the Proposed Share Buy-Back and, if any, the resale of treasury shares.

9. DIRECTORS' OPINION

The Board, having considered all aspects of the Proposed Share Buy-Back, is of the opinion that it is in the best interest of the Company and accordingly, recommends that you vote in favour of the ordinary resolution pertaining to the renewal of shareholders' approval for the Proposed Share Buy-Back at the forthcoming 22nd AGM.

10. IMPLICATIONS OF THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS, 2016 (THE "CODE")

The Board is mindful of any potential implications relating to the Code and does not intend to undertake the Proposed Share Buy-back such that it will cause any party to trigger any obligation to undertake a Mandatory Offer pursuant to the Code. However, in the event an obligation to undertake a Mandatory Offer is expected to arise with respect to any parties resulting from the Proposed Share Buy-Back, which is an action outside its direct participation, the relevant parties shall make the necessary application to the Securities Commission for an exemption from undertaking the Mandatory Offer under the Code prior to any buy-back of the Shares.

11. DIRECTORS' RESPONSIBILITY STATEMENT

This Statement has been seen and approved by the Directors of the Company, who collectively and individually accept full responsibility for the accuracy of the information given and confirm that after having made all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any information, data or statement herein misleading.

12. FURTHER INFORMATION

Shareholders are advised to refer to page 35 of the 2017 Annual Report of Tomypak for further information to the purchases made by the Company of its own shares in the last financial year.

This Statement is dated 30 April 2018.

PARTICULARS OF PROPERTIES

The details of the landed property of Tomypak Holdings Berhad as at 31 December 2017 are as follows:

Registered Owner/ Location	Description/ Existing Use	Land/ Built-up Area (‘000 sq.ft)	Tenure Age of building	Net Book Value RM’000	Date of Last Revaluation
Tomypak Flexible Packaging Sdn Bhd/ PTD 109476 Jalan Cyber 4, Mukim of Senai, District of Kulai, Johor Darul Ta’zim	Industrial Land/ Construction of factory building in progress	456.84/ –	Freehold land	55,025	–
Tomypak Flexible Packaging Sdn Bhd/ 11, Jalan Tahana, Kawasan Perindustrian Tampoi, 80350 Johor Bahru, Johor Darul Ta’zim	Industrial Land/ Industrial land and factory building	174.24/ 150.89	Leasehold land expiring on 30.09.2034	6,268	15.11.1994
Tomypak Flexible Packaging Sdn Bhd/ PM3894, Lot No. 50859 Building No. M1, Floor No. 7, Unit No. 289, Daerah Petaling, Negeri Selangor Darul Ehsan	Leasehold Building/Sales & Marketing Office	1.195	Leasehold building	326	–

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty Third Annual General Meeting (“23rd AGM”) of the Company will be held at Melati Hall, Palm Resort Golf & Country Club, Jalan Persiaran Golf, Off Jalan Jumbo, 81250 Senai, Johor, Malaysia on Friday, 1st June, 2018 at 10.00 a.m. for the following purposes:-

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended 31st December 2017 and the Directors’ and Auditors’ Reports thereon. **(Please refer to Note No. 1)**
2. To approve the payment of Directors’ fees for the year ended 31st December 2017. **(Resolution 1)**
3. To approve the payment of Directors’ benefits to the Directors of the Company and its subsidiaries up to an amount of RM120,000 for the period from 2nd June 2018 until the next Annual General Meeting of the Company to be held in 2019. **(Resolution 2)**
4. To re-elect Mr Tan See Yin who retires in accordance with the Company’s Constitution. **(Resolution 3)**
5. To re-elect To’ Puan Rozana Binti Tan Sri Redzuan who retires in accordance with the Company’s Constitution. **(Resolution 4)**
6. To re-appoint Messrs KPMG PLT as Auditors of the Company for the financial year ending 31st December 2018 and to authorise the Board of Directors to determine their remuneration. **(Resolution 5)**

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:

7. ORDINARY RESOLUTION

- **Proposed authority to issue shares pursuant to Section 75 and Section 76 of the Companies Act 2016**

“**THAT**, subject always to the Companies Act 2016 (“the Act”), the Constitution of the Company and the approvals of the relevant government / regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 75 and Section 76 of the Act, to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and to such person or persons, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deemed fit, provided that the aggregate number of shares to be issued does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors are also empowered to obtain the approval from the Bursa Malaysia Securities Berhad for the listing and quotation for the additional shares to be issued.”

(Resolution 6)

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

8. ORDINARY RESOLUTION

- **Proposed Renewal of Shareholders' Approval for Share Buy-Back**

“THAT, subject to the Company’s compliance with all applicable rules, regulations, orders and guidelines made pursuant to the Companies Act 2016, the provisions of the Company’s Constitution and the requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Company be and is hereby authorised to the fullest extent permitted by law, to buy-back and/or hold from time to time and at anytime such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interests of the Company (“Proposed Share Buy-Back”) provided that:

- (a) the maximum number of shares which may be purchased and/or held by the Company at any point of time pursuant to the Proposed Share Buy-Back shall not exceed ten percent (10%) of the total number of issued shares of the Company for the time being quoted on Bursa Securities;
- (b) the maximum amount of funds to be allocated by the Company pursuant to the Proposed Share Buy-Back shall not exceed the sum of retained profits of the Company based on its latest audited financial statements and/or the latest management accounts (where applicable) available up to the date of a transaction pursuant to the Proposed Share Buy-Back;

THAT the shares purchased by the Company pursuant to the Proposed Share Buy-Back may be dealt with in all or any of the following manner (as selected by the Company):

- (i) the shares so purchased may be cancelled; and/or
- (ii) the shares so purchased may be retained as treasury shares in accordance with the relevant rules of Bursa Securities for distribution as dividend to the shareholders and/or resell through Bursa Securities and/or subsequently cancelled; and/or
- (iii) part of the shares so purchased may be retained as treasury shares with the remainder being cancelled;

THAT such authority shall commence upon the passing of this resolution, until the conclusion of the next Annual General Meeting of the Company or the expiry of the period within which the next Annual General Meeting is required by law to be held unless revoked or varied by ordinary resolution of the shareholders of the Company in general meeting but so as not to prejudice the completion of a purchase made before such expiry date;

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

AND THAT the Directors of the Company be and are hereby authorised to take all steps as are necessary or expedient to implement or to give effect to the Proposed Share Buy-Back with full powers to amend and/or assent to any conditions, modifications, variations or amendments (if any) as may be imposed by the relevant governmental/regulatory authorities from time to time and with full power to do all such acts and things thereafter in accordance with the Companies Act 2016, the provisions of the Company's Constitution and the requirements of the Bursa Securities and all other relevant governmental/regulatory authorities."

(Resolution 7)

9. ORDINARY RESOLUTION

- **Retention of Independent Director, Tan Sri Dato' Seri Arshad Bin Ayub**

THAT Tan Sri Dato' Seri Arshad Bin Ayub be retained as Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance.

(Resolution 8)

10. ORDINARY RESOLUTION

- **Retention of Independent Director, Mr Chin Cheong Kee @ Chin Song Kee**

THAT Mr Chin Cheong Kee @ Chin Song Kee be retained as Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance.

(Resolution 9)

11. To transact any other business for which due notice shall have been given in accordance with the Company's Constitution and the Companies Act 2016.

Further notice is hereby given that for the purpose of determining a member who shall be entitled to attend the Twenty Third Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at 15th May 2018. Only a depositor whose name appears on the Record of Depositors as at 15th May 2018 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

BY ORDER OF THE BOARD

ANG MUI KIOW (LS0001886)
TAI YIT CHAN (MAICSA 7009143)
Company Secretaries

Johor Bahru
30th April 2018

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Notes:-

1. Audited Financial Statements

The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put forward for voting.

2. Form of Proxy

- 2.1 A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar of Companies.
- 2.2 The duly completed Form of Proxy must be deposited at the registered office of the Company situated at Suite 7E, Level 7, Menara Ansar, 65 Jalan Trus, 80000 Johor Bahru, Johor, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting.
- 2.3 A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting.
- 2.4 Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
- 2.5 Where a member or authorised nominee appoints two (2) proxies, or when an exempt authorised nominee appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- 2.6 If the appointor is a corporation, the Form of Proxy must be executed under its Seal or under the hand of its attorney.

3. Explanatory Notes on Special Business

3.1 Ordinary Resolution 6 - Proposed Authority to Issue Shares

Proposed authority to issue shares pursuant to Section 75 and Section 76 of the Companies Act 2016

The Proposed authority to issue shares, Ordinary Resolution No. 6, if passed, will give the Directors of the Company, from the date of the above Annual General Meeting, authority to issue not more than ten percent (10%) of the total number of issued shares of the Company. Such issuance of shares will still be subject to the approvals of the Securities Commission and Bursa Malaysia Securities Berhad. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The mandate sought under Ordinary Resolution No. 6 above is a renewal of an existing mandate and there was no proceed raised since the last renewal was sought.

The renewed general mandate will provide flexibility to the Company for any possible fund raising activities and there is no specific purpose and utilisation for the proceeds to be raised under this mandate. Hence, the proceeds to be raised, if any, may be used for funding future investment and working capital.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Notes:- (Cont'd)

3. Explanatory Notes on Special Business (Cont'd)

3.2 Ordinary Resolution 7 - Proposed Renewal of Shareholders' Approval for Share Buy-Back

The Proposed Renewal of Share Buy-Back, Ordinary Resolution No. 7, if passed, will empower the Company to purchase and/or hold up to ten percent (10%) of the total number of issued shares of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. For further information on the Proposed Renewal of Share Buy-Back, please refer to the Share Buy-Back Statement on page 125 to 132 of the Annual Report 2017.

3.3 Retention as Independent Non-Executive Directors of the Company pursuant to the Malaysian Code on Corporate Governance:

Tan Sri Dato' Seri Arshad Bin Ayub (Resolution 8)

Tan Sri Dato' Seri Arshad Bin Ayub was appointed as an Independent Non-Executive Director of the Company on 10 March 1996 and has, therefore served for more than nine (9) years. As at the date of the notice of the 23rd AGM, he has served the Company for 22 years. However, he has met the independence guidelines as set out in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR"). The Board, therefore, considers him to be independent and believes that he should be retained as Independent Non-Executive Director based on the justifications as set out in Appendix A.

3.4 Retention as Independent Non-Executive Directors of the Company pursuant to the Malaysian Code on Corporate Governance:

Mr Chin Cheong Kee @ Chin Song Kee (Resolution 9)

Mr Chin Cheong Kee @ Chin Song Kee was appointed as an Independent Non-Executive Director of the Company on 13 February 2009 and has, therefore served for more than nine (9) years. As at the date of the notice of the 23rd AGM, he has served the Company for nine (9) years. However, he has met the independence guidelines as set out in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR"). The Board, therefore, considers him to be independent and believes that he should be retained as Independent Non-Executive Director based on the justifications as set out in Appendix A.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (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 Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (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 representatives 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.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

APPENDIX A

1. **ORDINARY RESOLUTION NO. 8 - Authority for Tan Sri Dato' Seri Arshad Bin Ayub to continue in office as Independent Non-Executive Director**

Justifications

- a. Tan Sri Dato' Seri Arshad Bin Ayub fulfilled the criteria under the definition on Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and therefore is able to bring independent and objective judgment to the Board.
- b. He has been with the Company for more than nine years and therefore understand the Company's business operations which enable him to participate actively and contribute during deliberations or discussions at Audit Committee, Remuneration Committee, Nomination Committee and Board meetings without compromising his independence and objective judgement.
- c. He has contributed sufficient time and efforts and attended all the Audit Committee, Remuneration Committee, Nomination Committee and Board meetings as well as having meetings with the Internal and External Auditors without the presence of the Management and Executive Directors for informed and balanced decision making.
- d. He has exercised his due care during her tenure as Independent Non-Executive Director of the Company and carried out his professional duties in the interest of the Company and shareholders.
- e. The current independent directors are strong individuals demonstrating independence. Independence is a result of a director's state of mind and integrity and not dependent on years of service. The experience of the independent directors in the Company is valuable for determining the strategic direction for the continued stability and growth.

2. **ORDINARY RESOLUTION NO. 9 - Authority for Mr Chin Cheong Kee @ Chin Song Kee to continue in office as Independent Non-Executive Director**

Justifications

- a. Mr Chin Cheong Kee @ Chin Song Kee fulfilled the criteria under the definition on Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and therefore is able to bring independent and objective judgment to the Board.
- b. He has been with the Company for nine years and therefore understand the Company's business operations which enable him to participate actively and contribute during deliberations or discussions at Audit Committee, Nomination Committee, Risk Management Committee, Investment and Development Committee and Board meetings without compromising his independence and objective judgement.
- c. He has contributed sufficient time and efforts and attended all the Audit Committee, Nomination Committee, Risk Management Committee and Board meetings and most of the Investment and Development Committee meetings as well as having meetings with the Internal and External Auditors without the presence of the Management and Executive Directors for informed and balanced decision making.
- d. He has exercised his due care during her tenure as Independent Non-Executive Director of the Company and carried out his professional duties in the interest of the Company and shareholders.
- e. The current independent directors are strong individuals demonstrating independence. Independence is a result of a director's state of mind and integrity and not dependent on years of service. The experience of the independent directors in the Company is valuable for determining the strategic direction for the continued stability and growth.

STATEMENT ACCOMPANYING NOTICE OF TWENTY THIRD ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Bursa Malaysia Securities Berhad Listing Requirements

The Directors standing for re-election are:

- (a) Mr. Tan See Yin - RESOLUTION 3
- (b) To' Puan Rozana Binti Tan Sri Redzuan - RESOLUTION 4

Further details of the above named Directors and their interest in the securities of the Company are set out in the profile of Directors on page 13,14,15, 119 and 122 of the annual report respectively.



TOMYPAK HOLDINGS BERHAD

(Co. No: 337743-W)
(Incorporated in Malaysia)

FORM OF PROXY

CDS Account No.⁽ⁱ⁾ _____

I/We, _____ (NRIC No. _____)

of _____
being a member/members of **TOMYPAK HOLDINGS BERHAD** ("the Company") do hereby appoint

_____ (NRIC No. _____)

or failing him/her, _____ (NRIC No. _____)

of _____

or failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us and on my/our behalf at the Twenty Third Annual General Meeting of the Company to be held at Melati Hall, Palm Resort Golf & Country Club, Jalan Persiaran Golf, Off Jalan Jumbo, 81250 Senai, Johor, Malaysia on Friday, 1st June 2018 at 10.00 a.m. and at any adjournment thereof.

Please indicate clearly with an "X" where appropriate against each resolution how you wish your proxy to vote. If no specific direction to voting is given, the proxy will vote or abstain at his/her discretion.

NO.	RESOLUTION	FOR	AGAINST
Ordinary Resolution 1	Approval of Directors' fees		
Ordinary Resolution 2	Approval of Directors' benefits		
Ordinary Resolution 3	Re-election of retiring Director, Mr Tan See Yin		
Ordinary Resolution 4	Re-election of retiring Director, To' Puan Rozana Binti Tan Sri Redzuan		
Ordinary Resolution 5	Re-appointment of KPMG PLT as Auditors and authorise the Directors to fix their remuneration		
Ordinary Resolution 6	Empower directors to issue shares pursuant to Section 75 and Section 76 of the Companies Act 2016.		
Ordinary Resolution 7	Approval of Proposed Renewal of Share Buy-Back		
Ordinary Resolution 8	Retention of Tan Sri Dato' Seri Arshad Bin Ayub as Independent Non-Executive Director		
Ordinary Resolution 9	Retention of Mr Chin Cheong Kee @ Chin Song Kee as Independent Non-Executive Director		

(i) Applicable to shares held through a nominee account
* Delete where applicable

For appointment of 2 proxies, percentage of shareholdings **to be represented by the proxies:-**

Sign this _____ day of _____ 2018

	No. of shares	Percentage
Proxy 1		
Proxy 2		
Total		100%

Signature/ Common Seal of Member

Notes:

- A proxy may but need not be a member of the Company, an advocate company auditor or a person approved by the Registrar of Companies.
- The duly completed Form of Proxy must be deposited at the registered office of the Company situated at Suite 7E, Level 7, Menara Ansar, 65 Jalan Trus, 80000 Johor Bahru, Johor, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting.
- A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting.
- Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
- Where a member or authorised nominee appoints two (2) proxies, or when an exempt authorised nominee appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- If the appointor is a corporation, the Form of Proxy must be executed under its Seal or under the hand of its attorney.
- Only members registered in the Record of Depositors as at 15 May 2018 shall be eligible to attend the meeting or appoint a proxy to attend, participate, speak and vote on his behalf.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Twenty Third Annual General Meeting dated 30 April 2018.



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AFFIX
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TOMYPAK HOLDINGS BERHAD (Co. No: 337743-W)

*Suite 7E, Level 7,
Menara Ansar
65, Jalan Trus
80000 Johor Bahru
Johor, Malaysia*

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TOMYPAK HOLDINGS BERHAD (337743-W)

Head Office & Main Plant:

PTD 109476, Jalan Cyber 4, Mukim of Senai, District of Kulai, Johor Darul Takzim, Malaysia

Tampoi Plant:

No.11, Jalan Tahana, Kawasan Perindustrian Tampoi, 80350 Johor Bahru, Johor, Malaysia

Tel: (6)07-237 8585 **Fax:** (6)07-237 8575 **Email:** sales@tomypak.com.my / investor@tomypak.com.my

KL Office:

736, Level 7, Block A, Kelana Centre Point, No. 3, Jalan SS7/19, Kelana Jaya, 47301 Petaling Jaya, Selangor, Malaysia

Tel: (6)03-7880 4233 **Fax:** (6)03-7880 7233 **Email:** tpsales@tomypak.com.my

www.tomypak.com.my