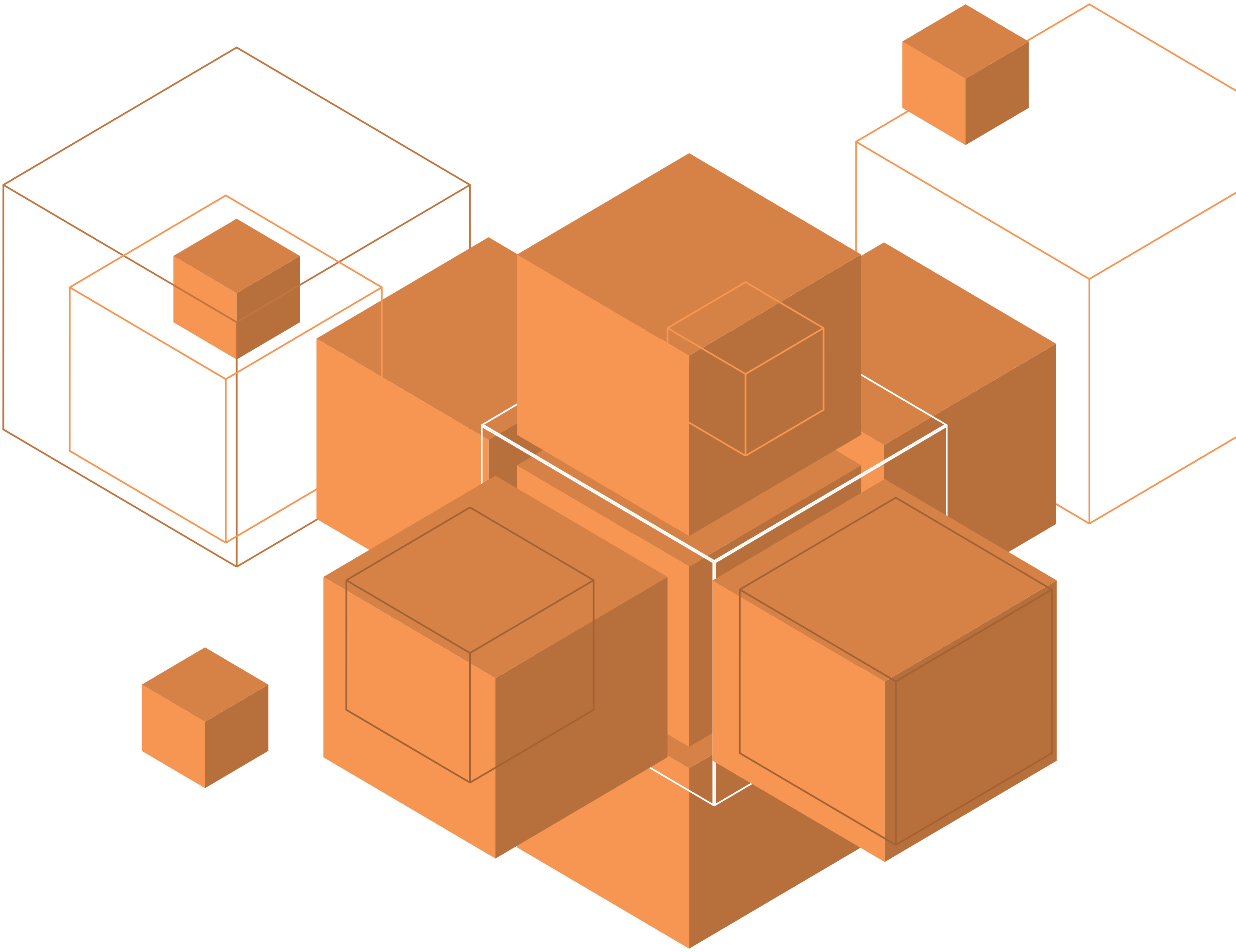

TOMYPAK HOLDINGS BERHAD

(COMPANY NO. 337743-W)

ANNUAL REPORT 2018

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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

Members
Mr. Tan See Yin

To' Puan Rozana Binti Tan Sri Redzuan

Mr. Ng Jit Sing
(Executive Director of Tomypak Flexible Packaging Sdn Bhd)
(Ceased on 1 March 2019)

Mr. 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. Ng Jit Sing
(Executive Director of Tomypak Flexible Packaging Sdn Bhd)
(Ceased on 1 March 2019)

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. Ng Jit Sing
(Executive Director of Tomypak Flexible Packaging Sdn Bhd)
(Ceased on 1 March 2019)

CORPORATE INFORMATION (CONT'D)

REGISTERED OFFICE

Suite 9D, Level 9, Menara Ansar
65, Jalan Trus
80000 Johor Bahru

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

Tel: 07-5352222
Fax: 07-5352228

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 Chen Yew Ting
(MAICSA 0869733)

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd (378993-D)
(*Formerly known as Symphony Share Registrars Sdn Bhd*)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

Tel: 03-78490777
Fax: 03-78418151

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: 07-2662213
Fax: 07-2662214

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" or "Company") 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 Holdings 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 400 experienced and dedicated employees working harmoniously together with excellent team work. The Group focused on consistent quality and timely delivery to ensure long term relationships, trust and continuous support from our customers 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 metabolising 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'S **REPORT**

Dear Valued Shareholders

On behalf of the Board of Directors, it gives me great pleasure to once again address shareholders of Tomypak Holdings Berhad on the performance of Tomypak and its subsidiaries for the financial year ended 31 December 2018 ("FY 2018").

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

CHAIRMAN'S REPORT (CONT'D)

THE YEAR IN REVIEW

FY 2018 has been another busy year as Tomypak continues with its journey to transform the Group to build a robust platform for future growth. The transformation program encompasses 6 key areas of Transformation, namely:

- **FACILITY,**
- **OPERATIONAL,**
- **SALES AND MARKETING,**
- **HUMAN RESOURCES,**
- **CORPORATE, AND**
- **SUSTAINABILITY.**

These are in their respective stages of implementation since 2016 when the Group first undertook the expansion program.

Let me give you a quick update on where we are with each of these programs.

Facility Transformation

The Group received the Certificate of Completion and Compliance for the new Senai plant in March 2017. All the new equipment purchased were delivered progressively in 2017 and 2018, and were installed, commissioned and commenced commercial operations in 2017 and in 2018 respectively. Two major equipment commissioned in 2018 were the ninth gravure printing line, which is a 12-color tandem line, and a 8-color flexo printing line. In addition, the Group also commissioned a new extrusion laminating line to support the new gravure printing line.

In 2018, the major realignment of the two plants commenced where major equipment from the Tampoi plant were dismantled, serviced, repaired and recommissioned in the Senai plant. As at the end of FY 2018, 2 printing lines out of the 7 printing lines, 2 laminating lines and 12 slitting lines have already been shifted from the Tampoi plant and operational in the Senai plant. Of the remaining major equipment, another 2 printing lines and 3 laminating lines will be moved from Tampoi to Senai and will be commercially operational

CHAIRMAN'S REPORT (CONT'D)

by end Q3 of FY2019. The remaining 3 oldest printing lines and 2 laminating lines will still be maintained in the Tampoi plant as back up to the Senai plant.

Thereafter, a total of 7 printing lines, 9 laminating lines and 17 slitting lines will be operating in the Senai plant whist the Tampoi plant will focus on metallizing and bag making activities, with back up facilities for printing, laminating, slitting and film casting until further realignment is undertaken. The Group will undertake further evaluation of the need for further realignment towards the end of FY 2019.

The Group has also applied to the extend the lease of the Tampoi site which has only 16 years left on its lease as at end FY 2018. We expect to secure an extension from the Government by the end of FY 2019.

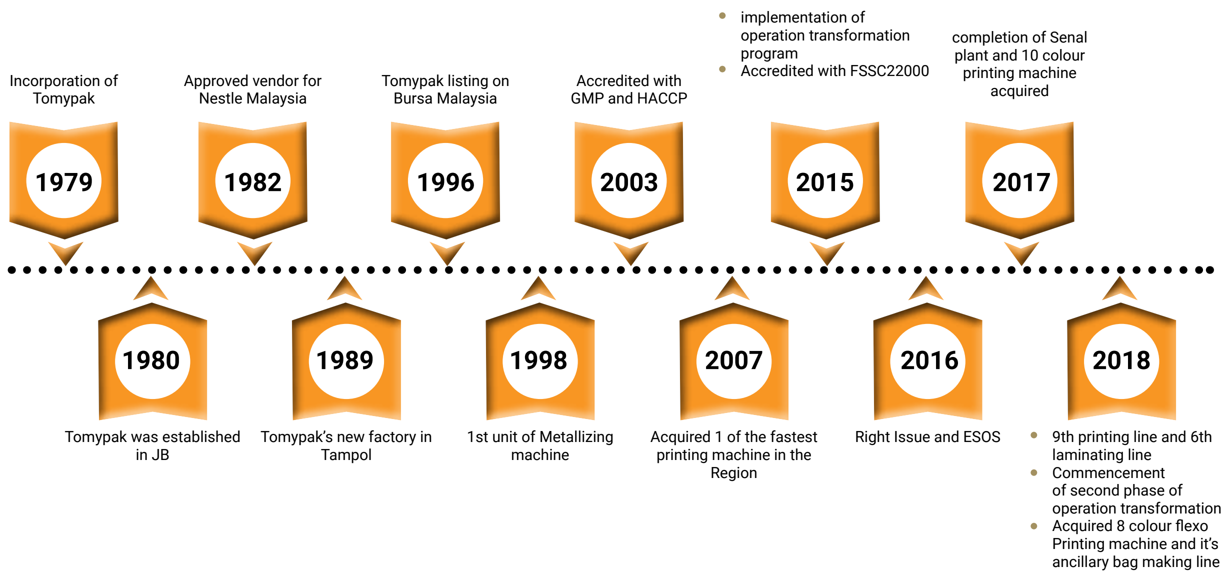
Operational Transformation

In line with the rationalization and realignment of equipment, the Group also undertook a comprehensive review of the operational flow and standard operating procedures in the 2 plants. In particular, with the proposed implementation of the production module under the IT infrastructure and systems improvement program, it was appropriate to review and improve the process flow in the two plants.

In addition, a review and restructuring of the organization structure was undertaken to strengthen certain key operational areas. A review of the attributes of key management staff required to fill these positions, including the qualifications and experiences of the personnel, were also undertaken and replacements and new personnel were sourced where required.

The Group undertook a comprehensive exercise to rationalize the general staffing level and type of staff on the production floor. Resulting from this analysis as well as reviewing the cost benefit and the medium and long term cultural and work environment benefits, the Group embarked on an exercise to replace foreign workers whose work permits have ended with fresh technical graduates from local education institutions. Work permits of 23 foreign workers were not renewed in FY 2018 and a total of 54 fresh technical graduates were hired from local universities. Culturally, these young local graduates are a much better fit into the environment than foreign workers and the differential in costs between these two groups of employees are not that substantial.

Another area undertaken to improve operational efficiencies was through the introduction of new systems and in this instance, the Group introduced a hybrid SAP system to manage the production process as well as speed up the generation of more accurate production data for purposes of control and monitoring. The system will also expedite the generation of critical data for faster and efficient decision making on matters that affects operations such as raw materials consumption for each production batch, wastage management on the production floor, as well as key cost data for sales and marketing strategies. The implementation is on-going and is expected to be fully operational towards end of FY 2019.



CHAIRMAN'S REPORT (CONT'D)

Training, both hands on and classroom type, were also continuously provided in FY 2018 to upgrade the skills of the operational staff on the new operating systems including the application of the new software and the use of such more accurate data to improve overall operations and improve the gross margins. Such training will be intensified in FY 2019.

Sales and Marketing Transformation

With the Group's capacity more than doubling, there is a need to rapidly fill this expanded capacity with increased orders. The transformation in this area is currently focused on 2 key areas.

The first is to increase the number of experienced and new staff in the sales and marketing of the Group's products and services. In this respect, a total of 6 new sales and marketing staff were recruited to supplement the existing pool of sales and marketing staff. A blend of experienced and young staff were recruited as part of the medium and long term plan to build a deeper pool of sales and marketing staff and for succession planning purposes.

The second critical area is to expand the Group's reach internationally, particularly to the Asia Pacific region. This will be done through direct contact with new and existing customers and through new distribution channels such as appointment of Agents and/or Distributors/Partners. This process has started and appointment of qualified Agents/Distributors/Partners will be made in Q2-2019 after appropriate review and assessments have been completed.

Human Resource Transformation

In FY 2018, the focus of the Group's human resource transformation was to source for suitable experienced and qualified staff to fill the existing and new key positions under the new organization structure. In this respect, the Group has extended its search internationally and has supplemented the local hiring with personnel with international exposure in similar industry. The Group has managed to recruit senior personnel with experiences in similar industry in Taiwan, Singapore and India to date and will continue its efforts to source for more international experienced personnel to fill in key positions and for succession planning purposes.

On going training throughout the Group is also key to the Group's long term growth and sustainability. As such, continuous year round training programs, both organizational and functional, will be conducted to enhance overall manpower skillsets and effectiveness.

Corporate Transformation

Despite the poorer than expected financial performance in FY 2018, the Group financial position is still reasonably strong. The Group continues to generate positive cash flow as the losses in FY 2017 was principally due to non cash expenses such as depreciation and unrealized foreign exchange loss. However the Board of Directors have taken cognizance of the high borrowings that the Group has taken to finance the expansion program as well as the potential impact of the strengthening of the US dollar as a substantial proportion of the loan drawn down to finance equipment purchase and to fund purchase of raw materials was in US dollar.

The Risk Management Committee in FY 2019 will be working closely with management to intensify the review of this potential risk and take appropriate actions to mitigate the impact. Also on the drawing board is a review of the capital structure to strengthen the financial position of the Group to support the future growth.

In the area of IT, the implementation of the new hybrid SAP system is progressing well with full implementation expected towards end FY 2019. The final module, the Production Module, is currently progressing well and upon completion will provide the Group with fast accurate production data that is critical in managing production costs.

Sustainability Transformation

Your Board is also well aware of and fully subscribes to the fact that whilst the primary objective and focus is to increase shareholders value, this must be achieved responsibly with due care and focus on areas such as the environment, ensuring a better, healthier and safer work environment for our employees and also contributing back to society at large.

The Board has mandated the management to review the various programs in place to ensure that these are robust enough to have meaningful impact going forward. There is now a specific position within the organization structure to be responsible for managing this important sustainability initiatives.

In the area of environment, one of the significant activity undertaken in FY 2018 was the Group's investment in a recycling machine to recycle the off cuts and other extra plastics arising from the production process into resins for sale to third party users in other plastic industry. This

CHAIRMAN'S REPORT (CONT'D)

is a better alternative than to dispose these through waste disposal contractors. On going discussions are also being undertaken with raw materials suppliers to reduce use of those raw materials in the production process and/or the use of more environmental friendly raw materials.

In the area of contribution to the community at large, the Group has strategically moved towards supporting local institutions of higher learning in their pursuit of excellence. In this respect the Group had in FY 2018 endorsed an agreements with Southern University College to collaborate in areas on internship and development in the plastic industry.

A more comprehensive report on the Group's sustainability efforts is presented in the Sustainability Report on page 46 to 49 in this annual report

FINANCIAL PERFORMANCE

Your Board recognizes that the financial performance of the Group in FY 2018 has been below expectations. Whilst the Board has expected that expenses, particularly in depreciation, one off realignment costs as well as financial costs will increase due to the expansion and realignment program, the decrease in revenue was more substantial than expected. This reduction was fundamentally due to the continuing difficult macro operating environment given the more intensive competition form multinational competitors which resulted in the Group loosing revenue from some international customers.

As a result of the reduction in revenue and increase in certain expenses, the Group profit before tax decreased from RM9.9 million for the twelve months for FY 2017 to a loss of RM11.6 million for the twelve months ended December 31, 2018. The decrease was mainly attributed to the decrease in sales and hence there were lower contribution margins to cover increased factory overheads, in particular depreciation, and increases in raw materials prices during these twelve months as well as translation costs of these materials which were mainly in USD. The increase in raw materials costs was partially mitigated by reduction in factory operational costs as a result of the transformation strategies implemented since the fourth quarter of 2017 and as more operations were moved from the Tampoi plant to the new plant in Senai. Total depreciation charges increased from RM14.5 million in FY 2017 to RM17.1 million for the 12 months of 2018 as more new equipment were commissioned into operations.

The Group also recognized a net foreign exchange loss of RM1 million in FY 2018, as compared to a gain of RM1 million in the prior financial year. In addition, there was also interest costs of RM2.8 million in this financial year as compared to RM1.4 million for previous year, for fixed loans drawn down to finance the purchase of the new production equipment as well as working capital loans for purchase of raw materials.

Despite the loss, the Group was still able to generate positive Earnings Before Interest and Tax ("EBITA") of RM 8.1 million as compared to RM25.7 million achieved in FY 2017.

The overall financial position of the Group is still healthy and strong despite the unexpected loss this financial year. Total Shareholders' Funds as at the end of this financial year stood at RM 192.4 million as compared to RM 195.7 million for FY 2017. The Debt-Equity ratio of the Group is still healthy at 0.37 times despite further draw down in FY 2018 to fund the equipment delivered in this financial year.

More detailed discussions on the financial performance and financial position of the Group can be found on pages 17 to 21, under Management Discussion and Analysis.

CHAIRMAN'S REPORT (CONT'D)

DIVIDENDS

Your Board continues to place utmost importance on creating value for our shareholders. For FY 2018, your company announced and paid a dividend of 0.3 sen dividend per share in May 2018. No further dividends were paid thereafter for the remaining months.

CORPORATE GOVERNANCE & BOARD COMMITMENT

Your Board is also well aware of the need to continue to upgrade the Group's adherence and compliance to the Corporate Governance guidelines set by Bursa Malaysia under the Bursa Malaysia Listing Requirements for listed companies.

In this respect, your Board has continuously taken appropriate steps to ensure that The Group fully comply the recommendations of the various authorities. An overview write-up on Corporate Governance Statement is attached on page 22 to 36, whilst the detailed Corporate Governance Report can be viewed on the Group website, www.tomypak.com.my

APPRECIATION

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

A special thanks and appreciation to our dedicated and loyal staff and management for your continuing commitment and dedication during this crucial period where your company is undergoing a major transformation for a better future.

And to my esteemed colleagues on the Board, a very special thank you for your fullest support and hard work, for your invaluable input and contributions, and for enduring a difficult year,.

I look forward to many more years of greater achievements once the transformation program is fully rolled out in FY 2019.

Thank you and very best regards

TAN SRI DATO' SERI UTAMA ARSHAD BIN AYUB
CHAIRMAN

April 2019

PROFILE OF DIRECTORS

Front from left to right:

Mr. Lim Hun Swee
Independent Non-Executive Director

Mr. Tan See Yin
Executive Director

Mr. Chin Cheong Kee @ Chin Song Kee
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

Mr. Yong Kwet On
Non-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 : 90
Date of Appointment : 10 Mar 1996

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
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

- **Independent Non-Executive Director**
- **Chairman of the Risk Management Committee and members of the Audit, Remuneration, Nomination and Investment and Development Committees**

Nationality : Malaysian
Age : 71
Date of Appointment : 13 Feb 2009

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**
- **Chairman of the Audit and ESOS Committees and members of the Remuneration, Nomination and Risk Management Committees**

Nationality : Malaysian
Age : 54
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

- **Non Independent Executive Director,**
- **Managing Director, Member of the Investment and Development Committee and ESOS Committee**

Nationality : Singaporean
Age : 67
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 : 63
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 redesignation 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

- **Non-Independent Non-Executive Director**
- **Chairman of the Investment and Development Committee and member of the Nomination and Remuneration Committees**

Nationality : Malaysian
Age : 62
Date of Appointment : 18 Nov 2014

Mr. Yong Kwet On was appointed a Non-Independent and Non-Executive Director of the Company on 18 November 2014. He has almost 40 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 Committees and Remuneration Committees and Chairman of the Investment Development Committees 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.

KEY SENIOR MANAGEMENT

Eddie Lim Hun Swee

Managing Director

Please refer to Directors' Profile page 14.

Tan See Yin

Executive Director

Please refer to Directors' Profile page 15.

The Managing Director and Executive Director are supported by the General Manager and Advisor or various Head of Department such as Human Resource Department, Sales & Marketing Department, Printing & Slitting Department Lamination, Flexo & CPP2 Department, BM, CPP1 and Metz Department, Quality Control and R&D Department, Planning Department, Maintenance Department and Finance Depatment.

Save as disclosed, the above key senior management members have no family relationship with any Director and/or major shareholder of Tomypak, have no conflict of interests with Tomypak, have not being convicted of any offences within the past five years and have no public sanction or penalty imposed by any relevant regulatory bodies during the financial year 2018.

The disclosure on the particulars of the key senior management is made in compliance pursuant to Appendix 9C of Bursa Malaysia Securities Main Market Listing Requirement.

MANAGEMENT DISCUSSION **AND ANALYSIS**

This section seeks to provide to our shareholders with a better appreciation of and insight into the business and operations of the Tomypak Group as well as to enlighten shareholders on our performance for Financial Year (FY) 2018 and the immediate prospect for the Tomypak Group.

GENERAL DESCRIPTION OF TOMYPAK GROUP

General

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

For FY 2018, TFPSB was the main contributor to the business of the Tomypak Group as TFSPL was only incorporated in April 2016, with a view to set the base expansion into the Singapore market as well as international expansion. However a change in strategy was initiated in early FY 2019 whereby TFPSB now either go directly to all customers including existing international customers, or appoint Distributors or Agents directly in the countries where TFPSB will be marketing its products.

As a Group, Tomypak Group is involved in the manufacture and marketing of flexible packaging materials. The products manufactured and marketed by TFPSB are primarily for local and international food and beverage companies who use these printed, laminated and metalized 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 2018, the Tomypak 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 land located in the Tampoi Light Industrial Estate. Total rated capacity of as at end FY 2018 was 40,000 metric tonnes per annum.

The plant and equipment as of 31.12.2018 consists of:

Tampoi

1) 5 multi coloured rotogravure printing lines of various capacities;
2) 5 laminating lines, both wet and dry laminating lines,
3) 3 metallizing plant;
4) 10 bags making machines,
5) 1 film casting machine; and 2 slitters machine.

Senai

1) 4 multi coloured rotogravure printing lines of various capacities;
2) 1 eight coloured flexo printing line;
3) 6 laminating lines, both wet, dry and solvent less laminating lines;
4) 1 film casting machine;
5) 2 flexo bag making machines; and
6) Other ancillary supporting equipment such as 17 slitters and 1 recycling machine.

The moving of the another 2 multi coloured rotogravure printing lines and 3 wet laminating line from Tampoi plant to Senai plant will commence in FY 2019 and will be completed by third quarter of FY 2019 in accordance to the Group's rationalization plan of the production equipment in the two factories. The remaining 3 oldest printing lines and 2 laminating lines will still be maintained in the Tampoi plant as back up.

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. The realignment will improve the overall productivity of both plants, particularly the Senai plant which has bigger space and comfortable environment compared to the Tampoi plant. Currently, the total staff force of the Tomypak Group consist 381 staff, of which 301 are in direct operations, with 306 based in Senai and 75 based in Tampoi.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL REVIEW- FY2018 VS FY2017

This section presents a more detailed analyses of the financial performance of the Tomypak Group for FY 2018 as compared to FY 2017. Summarise below are the key financial information for the Group over the past 2 years.

Year Ended 31 December	2018	2017
Results (RM'000)		
Revenue	168,382	205,907
(Loss)/ profit from operations	(8,918)	11,174
(Loss)/ profit from taxation	(11,650)	9,889
Net (loss)/ profit for the financial year	(1,870)	13,622
Earnings Before Interest, Tax and Amortisation	8,134	25,697
Statement of financial position (RM'000)		
Shareholders' equity	192,352	195,693
Total borrowings	78,206	50,757
Total assets	293,419	284,820
Ratio		
(Loss)/Earning per share (sen)	(0.44)	3.27
Interest cover (times)	(3.26)	8.70
Return on equity	(0.97)%	6.96%
Return on total assets	(3.04)%	3.92%
Gearing	0.41	0.26
Net assets per share (RM)	0.46	0.47

The above figures have been restated after taken into effect of MFRS 15 impact.

REVENUE

The Tomypak Group revenue for FY 2018 was RM168.382 million as compared to RM205.907 million achieved in FY 2017. The decrease in sales was primarily due to a reduction in sales to some international and local customers. However, the decrease of sales to these customers were partially mitigated by increase in sales to some existing and new international and local customers. Furthermore, the average selling price of the products shipped during the year also decreased due to different sales mix.

Almost all of Tomypak Group customers are from the food and beverage industry, both multinational and local. More than half of Tomypak Group's revenue in FY2018 was derived from local sales instead of export sales as was the case in FY 2017 due to the lower demand of international market multinational companies and in some cases due to new local regulations in those countries. Export sales in FY 2018 accounted for 39.9% or RM67.19 million as compared to 49.7% or RM102.39 in FY 2017.

These export sales are primarily in USD which provides the Tomypak Group with sufficient foreign currency to match import of major raw materials as well as payment of USD denominated term loans secured to purchase equipment for the new plant. Countries where Tomypak Group products are exported to include the Philippines, Russia, Singapore, Thailand, Vietnam, Sri Lanka, Brazil, South Africa, Myanmar and Peru. Most of the major customers have been partners of Tomypak Group for some time, with some for as long as over 10 years, as Tomypak Group continues to consistently meets these clients key criterion of consistent quality, timely delivery and reasonable commercial terms.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

LOSS/PROFITS FROM OPERATIONS

Loss from operations for the Tomypak Group for FY 2018 was RM8.92 million compared to profits from operation of RM11.17 million in FY 2017. 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 2018 as compared to FY 2017 was due primarily to the following reasons:

i) A reduction in sales as explained above.

ii) In addition, an increase in cost of goods manufactured resulting from increase in raw materials prices, particularly films, adhesive and aluminium foil, as well as higher consumption of raw material which was partially mitigated by reduction in operating overheads as the rationalization exercise undertaken begins to take effect.

iii) Additional one off expenses incurred for realignment of production machine and equipment for both Tampoi and Senai plants.

iv) An increase in depreciation costs of additional RM2.52 million as some of the new equipment delivered, installed and had commenced operation during the year, are operating at low end of their rate capacity.

v) There was also an expense of RM1.01 million provided in FY 2018 in relation to the Employee Stock Option Scheme provided to employees

vi) There was also a foreign exchange loss in FY 2018 as compared to foreign exchange gain in FY 2017 due to increase in exchange rate in the RM against the USD. Net foreign exchange loss in FY 2018 was RM0.99 million as compared to net foreign exchange gain of RM1.00 million in FY 2017.

vii) There was also higher financial expenses of additional RM1.36 million in FY 2018 compared to FY 2017 arising from drawdown of loans to fund the purchase of equipment delivered in FY 2018 for the new plant.

viii) Additional substantial costs recognized in FY 2018 as a result expenses off cylinder block of RM0.82 million which has no further use;

ix) Low volume of production due to stoppage of some of the old equipment in preparation for the move to the new factory.

x) 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 Group incurred a Loss Before Tax ("LBT") of RM11.65 million from Profit Before Tax ("PBT") of RM9.89 million in FY 2017.

NET PROFITS AFTER TAX

The decline in net profits after tax ("PAT") in FY 2018 was less than the decline in PBT as a result of recognition of deferred tax assets on reinvestment allowances approved by MIDA and arising from investment in the expansion of manufacturing plant as well as automation and modernisation of the plant and equipment, diversification of related product to improve productivity and quality assurance.

EARNINGS BEFORE INTEREST AND TAX

The earnings before interest, tax and amortization ("EBITA") of the Tomypak Group has remained relatively strong over the past few years. For the FY 2018, EBITA was RM8.13 million while in FY 2017, it was higher at RM25.70 million. This decrease is principally due to a reduction in operational profitability.

SHAREHOLDERS' EQUITY

The Tomypak Group Shareholders' Equity decreased from RM195.69 million as at the end of FY 2017 to RM192.35 million as at the end of FY 2018. The decrease was a result of decrease in operational profitability and dividend paid out in the earlier part of the year.

GEARING

Total short term and long term borrowings increased from RM50.76 million as at the end of FY 2017 to RM78.21 million as at the end of FY 2018.

This increase was primarily the result of a net increase of RM20.90 million in term loan drawn down in FY 2018 to finance the purchase of new equipment for the new Senai plant, and an amount of RM25.28 million of Trust Receipts utilised and still outstanding as at year end 2018, to fund purchase of raw materials . All of the term

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

loans are either in Singapore Dollar ("S$") or USD as the interest rates for such loans are very much lower than RM loan, and the foreign exchange risks is mitigated as approximately 41% of revenue of the Tomypak Group are in USD and S$.

Despite the draw down in term loan, Tomypak Group still has a very low debt equity ratio of only 0.41 times as at end of FY 2018 compare to 0.26 times as at end of FY 2017.

Total cash and cash equivalent was RM7.06 million as at end FY 2018 as compared to RM10.49 million as at year end FY 2017. The lower cash and cash equivalent as at year end FY 2018 was because the funds were utilised for machineries and equipment acquisition and daily operational requirements.

Tomypak Group continues to generate positive cash flow from operations. For the FY 2018, there was a total of RM24.96 million net cash from operating activities as compared to RM21.13 million in FY 2017 despite the loss situation as the loss was primarily due to non cash expenses such as depreciation and unrealised forex losses.

As a result of the breach by the Group in one of the covenants by one of the financial institution, the Group has been deemed to not fulfilled the covenant. As a result of this and in accordance with the paragraph 74 of MFRS 101 Presentation of Financial Statements. The term loans have been reclassified as current liabilities.

TOTAL ASSETS

Growth in total assets is primarily from the additional capital expenditure ("capex") incurred in FY 2018 as a result of the expansion program. For the FY 2018, a total of RM47.99 million of new plant and equipment was added to total assets. Arising from these capex, Total Assets increased from RM284.82 million to RM293.42 million.

CAPITAL MANAGEMENT AND RETURN TO SHAREHOLDERS

Year Ended 31 December	**2018 RM ('000)**	**2017 RM ('000)**
Dividend declared and paid for	1,258	10,901

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.

For the FY 2018, one interim cash dividend amounting to RM1.26 million or 0.3 sen per share was declared.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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.

As at the end of December 2018, the expansion program undertaken by the Tomypak Group through the construction of a new plant in Senai was completed and operational with the full range of new equipment and will provide Tomypak Group with the platform to achieve further growth. The new plant has obtained and comply with the stringent international hygiene and food safety standards, such as Hazard Analysis and Critical Control Points (HACCP) and Food Safety System Certification (FSSC) 22000.

The new printing line, 8-colour flexo printing line and its ancillary bag making lines have been installed and commissioned and is now operating smoothly, albeit not at its full rated capacity as yet. However, the utilisation will be increased progressively over 2019. With the new flexo printing line, Tomypak Group has diversified its product offerings to its various customers.

In the meantime, the Group has commenced the rationalization of the production equipment in the two factories and estimated will be completed by third quarter of 2019. Senai plant will focus on Printing, Laminating, Slitting and Film Casting process while Tampoi plant will be focusing on Film Casting, Metalizing and Bag making process. The rationalization plan carried out will achieve cost and operational efficiency after the completion.

The focus for FY 2019 will be on improving sales and marketing activities with the recruitment of additional experienced sales personnel, as well as improve the overall operational efficiencies, particularly with regards to reduction in cost of raw materials consumed.

Concurrent to the above business strategy plan, the Group has also commenced implementation of the transformation program of the Company's human resources whereby the Company has reduced the hiring of foreign workers by replacing them with local but more technically qualified operational staff, is progressing well with over 90 new diploma, degree and master holders employed for operational, planning and quality control activities, over the past 12 months. In addition the range of training has been expanded and intensified with both inhouse and external training to upgrade the skills set particularly of operational staff. This program is beginning to bear positive results to the Group.

Meanwhile, the Group have further intensified the marketing efforts to secure more local and international customers and has already commenced the process of identifying and appointing sales partners in various targeted countries to tap the respective domestic markets of these sales partners. A new team of sales and marketing team has been recruited to supplement the existing team.

Whilst all the above activities are in progress, the 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 2018. The full CG Report 2018 ("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 2017 ("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, operational and financial performance, 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 of key personnel in the Group.

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, namely the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee; and as additional comfort to insure successful implementation of the Group's expansion strategies, the Board has also incorporated an Investment and Development Committee. 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 industry, they provide added strength to the leadership, and have contributed to the Group's transformation and growth.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board's Roles and Responsibilities (Cont'd)

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.

During the financial year ended 31 December 2018, the Board has convened five (5) meetings. The following activities were undertaken by the Board in FY 2018:

(i) Approved the quarterly results for the financial year ended 31 December 2018 and the audited financial statements for the financial year ended 31 December 2017;

(ii) Approved the payment of one (1) interim dividends to the shareholders;

(iii) Reviewed the 7 years 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 oversee 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 is 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 2018 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. In the event of any vacancy in the Board composition, resulting in non-compliance with the aforesaid, the Company must fill the vacancy within 3 months. The profile of each director is presented on page 12 to page 16 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 2019.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Nomination Committee (Cont'd)

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)

There is in place a process for selection, nomination and appointment of suitable candidates to the Board of the Tomypak 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 Tomypak 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.

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 Directors who are retiring by rotation to be put forward for re-election; and

(vi) recommend to the Board the employment of adviser or consultant to enable the Board to fulfill its responsibilities.

The Nomination Committee held three (3) meeting during the financial year ended 31 December 2018.

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 2018.

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 2018 are as follows:-

	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	–	4.7	120.0	–	–	–	124.7
Mr. Chin Cheong Kee@ Chin Song Kee	–	3.7	95.0	–	–	–	98.7
To' Puan Rozana Binti Tan Sri Redzuan	–	3.7	95.0	–	–	–	98.7
Mr. Yong Kwet On	–	3.7	95.0	–	–	–	98.7
Executive Directors							
Mr. Lim Hun Swee	540.0	–	–	103.2	–	50.0	693.2
Mr. Tan See Yin	335.0	–	–	95.0	–	2.7	432.7
	875.0	15.8	405.0	198.2	–	52.7	1,546.7

The number of Directors whose remuneration falls into each successive band of RM50,000.00 for the financial year ended 31 December 2018 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
RM400,000 to RM450,000	1	NIL
RM650,000 to RM700,000	1	NIL
	2	4

The Board is aware of the need for transparency in the disclosure of its senior management's (who are not executive Board members) remuneration. Nonetheless, it is of the view that such disclosure could be detrimental to its business interests given the highly competitive human resource environment in which the Group operates where intense headhunting for personnel with the right expertise, knowledge and relevant working experience is the norm. As such, disclosure of specific remuneration information could rise to recruitment and talent retention issues going forward.

The Board ensures that the remuneration of the senior management personnel commensurate with the level of responsibilities, with due consideration in attracting, retaining and motivating senior management to lead and run the Company successfully.

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Attendance of Directors

The attendance of individual Directors at the Board and the various Board Committees meetings during FY 2018 is as detailed below:

Director	Board	AC	RC	NC	RMC	IDC	ESOS
Executive Directors							
Lim Hun Swee	5/5					3/3	2/2
Tan See Yin	5/5				3/3	3/3	
Non-Independent Non-Executive Director							
Yong Kwet On	5/5		2/2	3/3		3/3	
Independent Non-Executive Director							
Tan Sri Dato Seri Utama Arshad Bin Ayub	5/5	5/5	2/2	3/3			
Chin Cheong Kee @ Chin Song Kee	5/5	5/5	2/2	3/3	3/3	3/3	
To' Puan Rozana Binti Tan Sri Redzuan	5/5	5/5	2/2	3/3	3/3		2/2

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 that has been filled in FY 2018 and that a comprehensive ESG program is being 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 2018 are furnished in the Corporate Social Responsibility Statement on page 46 to 49 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 Tomypak Group achieves its strategies at minimum risk to the shareholders. In this respect, Tomypak 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 2019, 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.

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 2018 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)
Mr. Tan See Yin	(Executive Director)
Mr. Ng Jit Sing	(Executive Director of Tomypak Flexible Packaging Sdn. Bhd.) *(ceased on 1st March 2019)*
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 Corporate Affairs, Human Resource and Administration, Operation and Sales & Marketing, Procurement and Facilities Management 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 45 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. Ng Jit Sing	(Executive Director of Tomypak Flexible Packaging Sdn. Bhd.) *(ceased on 1st March 2019)*

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 three (3) occasions during the financial year ended 31 December 2018. The following activities were undertaken by the Investment and Development Committee during the financial year under review:-

(i) reviewed the completed expansion plan of the Group which includes the construction of new factory facilities at Senai site to insure that the implementation is in accordance with the original plans and to note any changes and to advised the Board accordingly;

(ii) reviewed the proposed marketing strategies and the overall viability of the proposed expansion program, including determining the overall timing of any further capital investments that are necessary 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 and working capital requirements of the Group, which include an evaluation of appropriate internal and external funding sources;

(iv) reviewed the timing and value of proposed of additional investment in capital expenditure such as ancillary 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) reviewed potential mergers and acquisition candidates put forth by Management for consideration and to brief the Board; and

(vii) initiated and oversaw the revision of the Group's strategies and action plans to achieve further growth for the Tomypak Group.

Internal Audit Functions

The Tomypak 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 draw 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 120 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 Tomypak Group's activities, particularly on the progress of the expansion program by conducting regular meetings, dialogues and discussions with fund managers, financial analysts and media. Indeed a major briefing and plant tour of the new Senai facility was conducted for 25 fund managers, analysts and media on 15 January 2019 to provide the latest updates to these stakeholders.

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	• BSKL – Breakfast Sessions @ BSKL (2nd March) • Bank Negara Malaysia – Governors Address On The Malaysian Economy & Panel Discussion @ Sasana Kijang, BNM (30th March) • Security Commission – 30% Club Business Roundtable Conference @ SC (6th June) • BSKL – International Professional Practices Framework for Audit Committee (AC) Workshop @ BSKL (28th August) • Khazanah Mega Trends @ Mandarin Oriental (8th & 9th October) • BSKL – Investor Relations Representative of listed Issuer @ BSKL (23rd October) • BSKL - Breakfast Series 'Companies of the future – The Role for Boards @ Security Commission (3rd December) • BSKL – Breakfast Series 'Non Financial' Does it matter? @ Multi Purpose Hall, Lanai Kijang , KL (5th December) • SC – 30% Club Business Leaders Roundtable Meeting & 305 Club Board monitoring scheme event @ Conference Hall, SC (18th December)

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

DIRECTORS TRAINING (CONT'D)

Name of Director	Topic of seminar/ briefing
Mr. Chin Cheong Kee @ Chin Song Kee	• Exercising Judgement in Financial Reporting (The 'Should' and 'Should Not')
Mr. Lim Hun Swee	• 2019 Budget Tax Conference : Navigating a New Tax Landscape
Mr. Tan See Yin	• The 4th International Sustainable Energy Summit (ISES)
Mr. Yong Kwet On	• Advocacy Programme On CG Assessment Using The Revised Asean CG Scorecard Methodology
To' Puan Rozana Binti Tan Sri Redzuan	• Internal Audit for Board and Audit Committee

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 2018 amounted to RM19,000.

Share Buy-Back

The details of shares repurchased and sold during the financial year ended 31 December 2018 are as follows:-

Month	Number of shares repurchased/(sold)	Low price RM	Average price RM	High price RM	Total consideration paid/ (received) RM
March	40,000	0.83	0.83	0.83	33,360.80
April	238,100	0.79	0.79	0.81	190,233.70
September	145,900	0.68	0.69	0.71	101,093.75
October	93,000	0.69	0.69	0.71	64,934.34
December	230,000	0.56	0.57	0.58	132,244.46

As at 31 December 2018, there were no treasury share resold, transferred or cancelled.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

OTHER COMPLIANCE INFORMATION (CONT'D)

Employees' Share Option Scheme ("ESOS")

Upon completion of the Rights Issue with Warrants, the Tomypak Group implemented the ESOS with effect from 8 July 2016, for the eligible Directors and employees of Tomypak 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 2018, since the commencement are as follows:-

	Number of options ('000)		
	Directors	**Employees**	**Total**
Total options granted	3,833	18,360	22,193
Total options exercised/lapsed	3,831	7,213	11,044
Total options outstanding as at 31 December 2018	2	11,147	11,149

Pursuant to the Company's ESOS By-laws, the aggregate maximum number of Shares available under the ESOS scheme to the directors of the Tomypak 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 Tomypak Group and the Directors by the relevant regulatory bodies.

2019 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 2019 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 2018.

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 2018 are as follows:

Chairman

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

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 Tomypak 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.

AUDIT COMMITTEE REPORT (CONT'D)

TERMS OF REFERENCE (CONT'D)

3. Meetings (Cont'd)

A quorum shall consist of a majority of independent directors.

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 five (5) meetings during the financial year ended 31 December 2018. The detail attendances of the Audit Committee members are as follows:

Meetings Attended (out of 5)		
To' Puan Rozana Binti Tan Sri Redzuan (Chairman)	Independent Non-Executive Director	5/5
Tan Sri Dato' Seri Arshad Bin Ayub	Independent Non-Executive Director	5/5
Mr. Chin Cheong Kee @ Chin Song Kee	Independent Non-Executive Director	5/5

In addition, the Audit Committee also held three 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 2016 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.

AUDIT COMMITTEE REPORT (CONT'D)

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 2018 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.

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, shipping, quality control and assurance);

(ii) customers and suppliers (sales management, accounts receivables, purchase management, accounts payables);

(iii) physical assets & production process (land, buildings, plant & equipment, production controls and processes); and

(iv) corporate (administration, human resources management, cash management, investments policies, safety and health).

The amount of internal audit fees paid to internal auditors by the Group for the financial year ended 31 December 2018 amounted to RM40,000.

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 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 and considers the risk management and internal control system to be satisfactory for the financial year under review and up to the date of approval of the Statement on Risk Management and Internal Control.

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 risks management and internal control system for the financial year and up to the date of approval of the Statement on Risk Management and Internal Control 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 review for compliance with debt covenants for loans secured from financial institutions. This is a new requirement as Tomypak Group has only recently in 2016 began to secure term loans from financial institutions to fund the Group's expansion programme. Resulting from the term loans drawn down for the acquisition of new production machineries, there was a need to continuously review these covenants to ensure the Group is in compliance with loan covenants, on monthly basis in order to ensure the going concern basis for the preparation of the financial statement of the Group. As a result of the breach by the Group in one of the covenants by one of the financial institution, the Group has been deemed to not fulfilled the covenant. As a result of this and in accordance with the paragraph 74 of MFRS 101 Presentation of Financial Statements, the term loans have been reclassified as current liabilities.

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

BOARD OF DIRECTORS' RESPONSIBILITIES (CONT'D)

However, Directors have already discussed this matter with the said bank and there has been no default by the Group as the Group has been able to continuously honour the repayments due. At the same time, the Group has also obtained the approval from the bank subsequent to reporting period before date of financial statements, granting waiver on the non-compliance with the financial covenant as at the end of reporting period.

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 and clear strategic action plans are developed and implemented 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 Three (3) meetings was held in the financial year 2018 to review the 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 risk identified. Sometimes, management personnel i.e. from Operation, Sales and Marketing, Finance and other relevant departments may be invited to attend Risk Management Committee meetings, to advise the Risk Management Committee members on the potential risks and actions that may be taken to mitigate and control these risks.

For financial year 2018, in view of the expansion program undertaken by the Tomypak Group since financial year 2016, particular attention was also placed on the 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 was 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, Three (3) investment and development committee meetings were held to review, analyze and propose the investment or development plans to the Board of Directors. The Investment and Development Committee had taken reasonable steps to ensure that the investment or development plan, including their source of funds were identified and managed properly, as well as appropriateness of operational strategies including marketing and sales strategies, financial strategies and human resource strategies. A comprehensive strategic plan encompassing information on the Group's performance indicators, business, operational, sales and marketing, financial, human resource and sustainability strategies was presented to the Investment and Development Committee for review and discussed to ensure that the Group's objectives are met.

The scope of the Investment and Development Committee includes review and recommendation to the Board for approval or otherwise of any potential collaboration, mergers or acquisitions, other key strategies 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 for FY 2018 was 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.

Meetings are held between the Internal Auditors, head of departments and Management to discuss actions taken on internal control issues identified through reports prepared from regular internal audit visits. Additionally, internal audit reports together with findings, management's response and corrective actions are presented by the Internal Auditors to the Audit Committee.

Certain control weaknesses have been identified as a result of the audits conducted during the financial year 2018 and these have been substantially 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 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 has expanded its production capacity. The Board maintains an ongoing commitment to 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 risk 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 Tomypak Group has proceeded to incorporated various key elements raised by 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 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 Tomypak 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 Tomypak 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 operations efficiencies and assure consistency of products' quality and work standards;
- on-going quality improvement initiatives throughout the Group;
- 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; and
- conducting regular review, developing and implementing appropriate and clear organization structure with defined lines of authority, responsibility and accountability in place, to ensure the Group is able to achieve its strategies and business objectives.

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, (previously Recommended Practice Guide 5 (Revised 2015)), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2018, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

(b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The external auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

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.

This report by the Tomypak Group is prepared and 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 recognize 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 Managing Director 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 following ESG factors which are deemed material to the Group's business and stakeholders was first developed in FY2017, and was further reviewed and improved upon by Management in FY2018:

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.

EMPLOYMENT

The Tomypak Group believes that people are the key 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 plan to continuously enhance and upgrade employees' skills, knowledge and experience. This continuous HR development program enhances the employees' competencies and performance to work efficiently and effectively. In FY2018, more comprehensive and intensive internal in house and external training were provided to all level of staff

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 the 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 a Safety Officer, seeks 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. The Safety Officer carries out daily inspections, liaise with all the related government bodies, regulatory agencies and conducts frequent safety related audit. Spot checks on employees are also carried out all the time and immediate actions, including training, will be taken against those who have breached the company's rules and policies.

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.

SUSTAINABILITY REPORT (CONT'D)

EMPLOYMENT (CONT'D)

Continuous Training (Cont'd)

During the financial year, the Group provided both internal training and also sent 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 14 other training courses were provided to our employees, ranging from basic training in forklift safety to team building to occupation first aid skills and radiation safety & health 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.

Employee Share Option Scheme ("ESOS")

The ESOS which was approved by shareholders in FY 2016 continued to be implemented in FY 2018. 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 2018, a total of 6,634,100 shares was granted to all eligible employees. As at end of FY 2018, the total ESOS granted to all directors and staff was 22,193,478 shares.

ENVIRONMENT

The Tomypak Group's business invariably involves materials such as plastic films, 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, the Group monitors where these wastes are sent to by our appointed suitably qualified and approved contractors, and how they are disposed.

Having taken cognizance of the need to put in place a more comprehensive waste management program given the types of waste our factories discharge, the Group in FY 2018 ensured that specific department was tasked to ensure 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 with the appropriate action plans put in place 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 wastes 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 FY 2018 year to enhance our commitment to the preservation of the environment. These include:

- Recycled what we cannot re-use ourselves but which can be used by others by selling these waste substances to licensed waste collectors. This include investment into a recycling machine to convert plastic waste into resin pallets for sale to third party users.

- Reviewed and enhanced the energy savings program to reduce electricity usage further by converting the use of electricity to natural gas. This include more robust and efficient production planning to consolidate production schedule which will lead to a reduction for overtime works and hence reduce the consumption of electricity;

- 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;

- Enhance 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;

ENVIRONMENT (CONT'D)

- 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

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 2018, a total of 19 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.

To enhance this internship program, the Group has signed memorandum of understanding with Entrepreneurial, Incubation & Career Centre of Southern University College, and is in the midst of discussion with regard to cooperation with UTM to further encapsulate the Group's commitment to provide internship opportunities to relevant students from these premier institutions.

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.

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.

Other similar activities that the Group participated in FY 2018 was "Nature Fun Walk And Ride 2018" which was co-sponsored by OCBC Bank and Rotary Club of Kulai with the objective to raise funds for Rotary Hemodialysis Centre of Kulai.

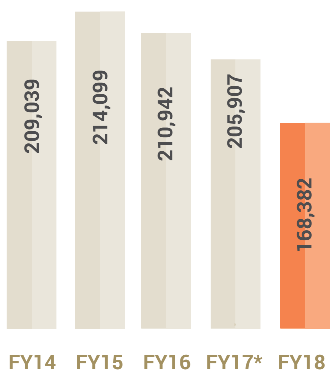
FIVE YEARS' FINANCIAL HIGHLIGHTS AND FINANCIAL INDICATORS

Year Ended 31 December	2014	2015	2016	2017*	2018
Results (RM'000)					
Revenue	209,039	214,099	210,942	205,907	168,382
Profit/(Loss) from operations	12,206	31,634	23,685	11,174	(8,918)
Profit/(Loss) before taxation	11,593	31,294	23,210	9,889	(11,650)
Net profit/(Loss) for the financial year	8,252	23,164	18,378	13,622	(1,870)
Statement of financial position (RM'000)					
Shareholders' equity	111,066	125,921	188,769	195,693	192,352
Total borrowings	24,529	29,535	34,131	50,757	78,206
Total assets	167,087	191,238	269,020	284,820	293,419
Ratio					
Earnings/(Loss) per share (sen)	2.70	8.47	5.31	3.27	(0.44)
Interest cover (times)	19.91	93.04	49.86	8.70	(3.26)
Return on equity	7.43%	18.40%	9.74%	6.96%	(0.97%)
Return on total assets	7.31%	16.54%	8.80%	3.92%	(3.04%)
Gearing	0.22	0.23	0.18	0.26	0.41
Net assets per share (RM)	1.02	1.15	1.14	0.47	0.46

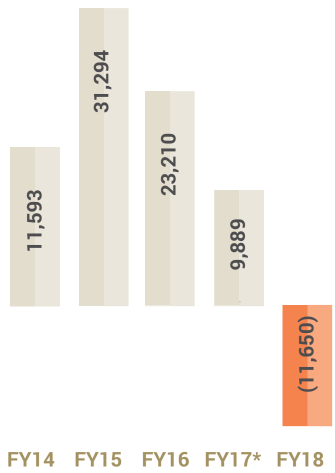
* Restated for effect of MFRS15

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

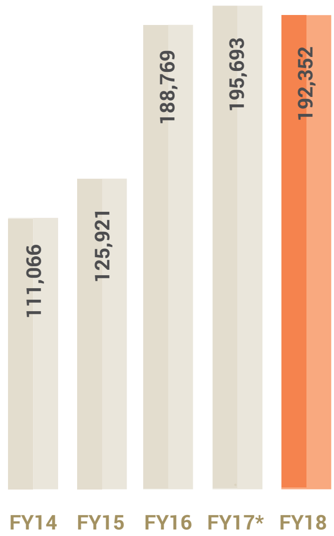
REVENUE
(RM'000)



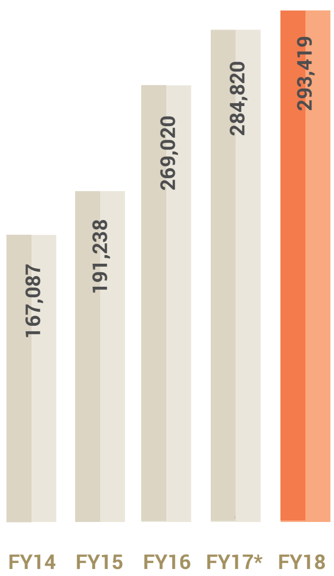
PROFIT/(LOSS) BEFORE TAXATION
(RM'000)



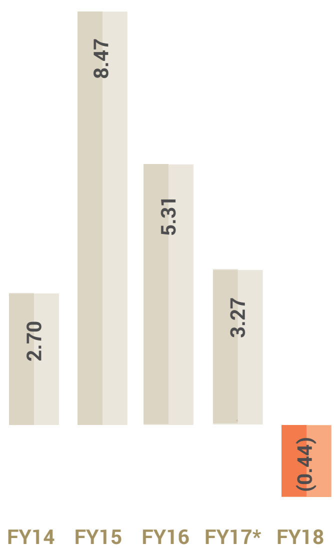
SHAREHOLDERS' EQUITY
(RM'000)



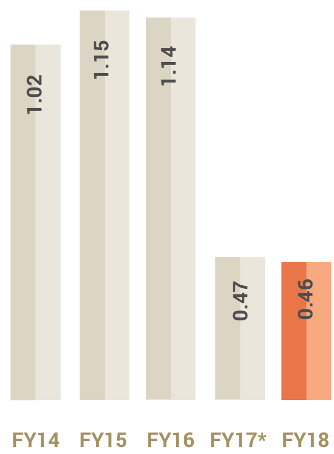
TOTAL ASSETS
(RM'000)



EARNINGS/(LOSS) PER SHARE *
(sen)

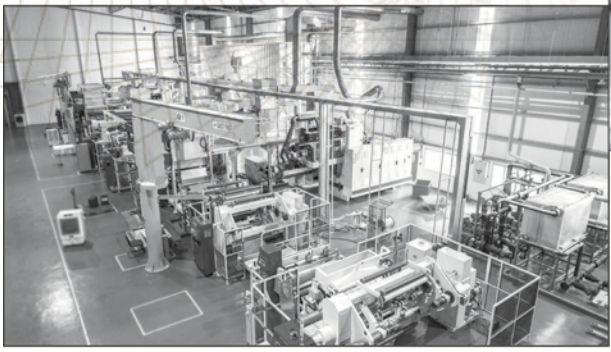


NET ASSETS PER SHARE
(RM)



* Restated for effect of MFRS 15.

Moving Forward to the Future



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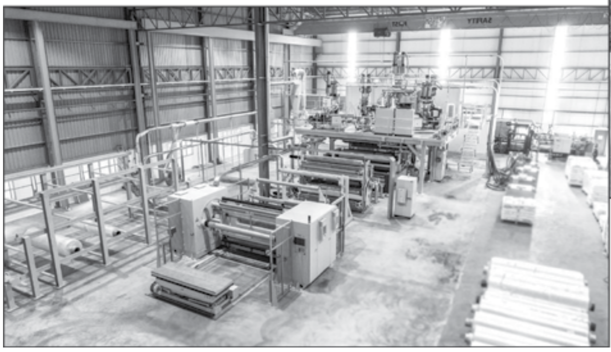

DIRECTORS' REPORT
For the year ended 31 December 2018

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 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are disclosed in Note 5 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 5 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
(Loss)/Profit for the year attributable to:		
Owners of the Company	(1,864)	1,794
Non-controlling interests	(6)	–
	(1,870)	1,794

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 10 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 2017 as reported in the Directors' Report of that year:

- a fourth dividend of 0.2 sen per ordinary share totalling RM839,161 declared on 27 February 2018 and paid on 5 April 2018.

ii) In respect of the financial year ended 31 December 2018:

- a first dividend of 0.3 sen per ordinary share totalling RM1,257,967 declared on 31 May 2018 and paid on 9 July 2018.

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 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
To' Puan Rozana binti Tan Sri 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:

		Number of ordinary shares			
Name of Directors	**Interest**	**At 1 January 2018 '000**	**Bought '000**	**Sold '000**	**At 31 December 2018 '000**
Company					
Tan Sri Dato' Seri Arshad bin Ayub	Direct	13,431	934	–	14,365
	Deemed	21,781	–	–	21,781
Mr. Chin Cheong Kee @ Chin Song Kee	Direct	427	–	–	427
Mr. Yong Kwet On	Direct	1,117	–	–	1,117
	Deemed	102,203	–	(1,250)	100,953
Mr. Lim Hun Swee	Direct	67,867	65	–	67,932
Mr. Tan See Yin	Direct	821	–	–	821
To' Puan Rozana binti Tan Sri Redzuan	Direct	340	–	–	340

		Number of options over ordinary shares			
Name of Directors	**Interest**	**At 1 January 2018 '000**	**Granted and accepted '000**	**Exercised '000**	**At 31 December 2018 '000**
Company					
To' Puan Rozana binti Tan Sri Redzuan		2	–	–	2

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS IN SHARES (CONT'D)

	Number of Warrants			
Name of Directors	At 1 January 2018	Bought	Sold	At 31 December 2018
Company				
Tan Sri Dato' Seri Arshad bin Ayub	2,180,000	–	–	2,180,000
Mr. Lim Hun Swee	21,925,000	–	–	21,925,000

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 183,000 new ordinary shares for cash arising from the exercise of the employees' share options at an exercise price of RM0.60 per ordinary share; and

b) issued 15,600 new ordinary shares for cash arising from the exercise of the employees' share options at an exercise price of RM0.87 per ordinary share.

At the Annual General Meeting held on 1 June 2018, 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 747,000 of its issued ordinary shares with an average repurchase price of RM0.69. The repurchase transactions were financed by internally generated funds and the repurchased shares are being held as treasury shares and carried at cost.

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;

ISSUE OF WARRANTS (CONT'D)

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.

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.

DIRECTORS' REPORT
(CONT'D)

OPTIONS GRANTED OVER UNISSUED SHARES (CONT'D)

The salient features of the ESOS are as follows (Cont'd):

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:

		Number of options over ordinary shares ('000)				
Date of offer	**Exercise price**	**At 1 January 2018**	**Grant**	**Exercised**	**Forfeited**	**At 31 December 2018**
9 September 2016	RM0.60	698	–	(183)	(73)	442
6 January 2017	RM0.59	45	–	–	(22)	23
9 September 2017	RM0.87	4,901	–	(16)	(594)	4,291
28 January 2018	RM0.91	–	724	–	(241)	483
24 December 2018	RM0.53	–	5,910	–	–	5,910

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 2018 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 17 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: 17 April 2019

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	Group 31.12.2018 RM	Group 31.12.2017 RM Restated	Group 1.1.2017 RM Restated	Company 31.12.2018 RM	Company 31.12.2017 RM
Assets						
Property, plant and equipment	3	202,146	171,529	141,290	–	–
Deferred tax assets	4	4,527	–	–	–	–
Investments in subsidiaries	5	–	–	–	136,560	135,546
Total non-current assets		206,673	171,529	141,290	136,560	135,546
Inventories	6	28,687	28,993	27,191	–	–
Contract assets	7	3,375	7,144	5,516	–	–
Trade and other receivables	8	41,598	62,274	64,426	1	2
Current tax assets		6,031	4,388	874	16	32
Cash and cash equivalents	9	7,055	10,492	30,906	83	827
Total current assets		86,746	113,291	128,913	100	861
Total assets		293,419	284,820	270,203	136,660	136,407
Equity						
Share capital	10	109,883	108,735	82,506	109,883	108,735
Reserves	10	82,469	86,958	107,116	26,138	26,969
Equity attributable to owners of the Company		192,352	195,693	189,622	136,021	135,704
Non-controlling interests	5	11	17	46	–	–
Total equity		192,363	195,710	189,668	136,021	135,704
Liabilities						
Loans and borrowings	11	–	24,477	19,925	–	–
Deferred tax liabilities	4	–	5,296	9,396	–	–
Employee benefits	12	609	665	658	–	–
Total non-current liabilities		609	30,438	29,979	–	–
Trade and other payables	13	22,190	32,162	36,194	588	473
Loans and borrowings	11	78,206	26,280	14,206	–	–
Dividends payable		51	230	156	51	230
Total current liabilities		100,447	58,672	50,556	639	703
Total liabilities		101,056	89,110	80,535	639	703
Total equity and liabilities		293,419	284,820	270,203	136,660	136,407

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 2018

	Note	Group 2018 RM'000	Group 2017 RM'000 Restated	Company 2018 RM'000	Company 2017 RM'000
Revenue	14	168,382	205,907	2,600	14,250
Cost of sales		(165,367)	(185,459)	–	–
Gross profit		3,015	20,448	2,600	14,250
Other income		945	2,935	–	–
Distribution expenses		(3,551)	(3,706)	–	–
Administrative expenses		(7,908)	(7,545)	(777)	(1,041)
Other expenses		(1,419)	(958)	–	–
Results from operating activities		(8,918)	11,174	1,823	13,209
Finance income		70	148	–	55
Finance costs	15	(2,802)	(1,433)	–	–
Net finance (costs)/income		(2,732)	(1,285)	–	55
(Loss)/Profit before tax		(11,650)	9,889	1,823	13,264
Tax income/(expense)	16	9,780	3,733	(29)	–
(Loss)/Profit for the year	17	(1,870)	13,622	1,794	13,264
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)	–	–
Total comprehensive (expense)/ income for the year		(1,870)	13,621	1,794	13,264
(Loss)/Profit attributable to:					
Owners of the Company		(1,864)	13,651	1,794	13,264
Non-controlling interests		(6)	(29)	–	–
(Loss)/Profit for the year		(1,870)	13,622	1,794	13,264

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

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

	Note	Group		Company	
		2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000
Total comprehensive (expense)/ income attributable to:					
Owners of the Company		(1,864)	13,650	1,794	13,264
Non-controlling interests		(6)	(29)	–	–
Total comprehensive (expense)/ income for the year		(1,870)	13,621	1,794	13,264
Basic (loss)/earnings per ordinary share (sen)	18	(0.44)	3.27		
Diluted (loss)/earnings per ordinary share (sen)	18	(0.44)	3.26		

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

For the year ended 31 December 2018

	Note	< ---- Attributable to owners of the Company ----										
		< ---- Non-distributable ----						>	Distributable			
	Note	Share capital RM'000	Share premium RM'000	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 2017, as previously reported		82,506	11,902	(3)	(471)	1,248	2,991	16,967	73,583	188,723	46	188,769
Adjustment on initial application of MFRS 15, net of tax	26	–	–	–	–	–	–	–	899	899	–	899
At 1 January 2017, restated		82,506	11,902	(3)	(471)	1,248	2,991	16,967	74,482	189,622	46	189,668
Foreign currency translation differences for foreign operation/ **Total other comprehensive expense for the year**		–	–	(1)	–	–	–	–	–	(1)	–	(1)
Profit for the year		–	–	–	–	–	–	–	13,651	13,651	(29)	13,622
Total comprehensive (expense)/ income for the year		–	–	(1)	–	–	–	–	13,651	13,650	(29)	13,621
Contributions by and distributions to owners of the Company												
Equity settled share based transaction	10											
- Share option granted		–	–	–	–	992	–	–	–	992	–	992
- Share issued pursuant to ESOS		4,194	65	–	–	--	–	–	–	4,259	–	4,259
- Share option exercised		1,094	–	–	–	(1,094)	–	–	–	–	–	–
Own shares acquired	10	–	–	–	(176)	–	–	–	–	(176)	–	(176)
Bonus issue	10	20,941	(11,000)	–	–	–	–	–	(9,941)	–	–	–
Own shares sold		–	–	–	503	–	–	–	224	727	–	727
Dividends to owners of the Company	19	–	–	–	–	–	–	–	(13,381)	(13,381)	–	(13,381)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

	Note	< ---- Attributable to owners of the Company ---- >										
		< ---- Non-distributable ---- >							Distributable			
	Note	Share capital RM'000	Share premium RM'000	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
Total transactions with owners of the Company		26,229	(10,935)	–	327	(102)	–	–	(23,098)	(7,579)	–	(7,579)
Transfer to share premium for share options exercised prior to implementation of Companies Act 2016		–	26	–	–	(26)	–	–	–	–	–	–
Share option forfeited		–	–	–	–	(132)	–	–	132	–	–	–
At 31 December 2017, restated		108,735	993	(4)	(144)	988	2,991	16,967	65,167	195,693	17	195,710
At 1 January 2018		108,735	993	(4)	(144)	988	2,991	16,967	65,167	195,693	17	195,710
Loss and total comprehensive expense for the year		–	–	–	–	–	–	–	(1,864)	(1,864)	(6)	(1,870)
Contributions by and distributions to owners of the Company												
Equity settled share based transaction	10											
- Share option granted		–	–	–	–	1,014	–	–	–	1,014	–	1,014
- Share issued pursuant to ESOS		124	–	–	–	–	–	–	–	124	–	124
- Share option exercised		31	–	–	–	(31)	–	–	–	–	–	–
Own shares acquired	10	–	–	–	(518)	–	–	–	–	(518)	–	(518)
Dividends to owners of the Company	19	–	–	–	–	–	–	–	(2,097)	(2,097)	–	(2,097)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

		Attributable to owners of the Company										
		Non-distributable							Distributable			
	Note	Share capital RM'000	Share premium RM'000	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
Total transactions with owners of the Company		155	–	–	(518)	983	–	–	(2,097)	(1,477)	–	(1,477)
Share option forfeited		–	–	–	–	(181)	–	–	181	–	–	–
Transfer in accordance with Section 618(2) of the Companies Act 2016	10	993	(993)	–	–	–	–	–	–	–	–	–
At 31 December 2018		109,883	–	(4)	(662)	1,790	2,991	16,967	61,387	192,352	11	192,363

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Share option reserve RM'000	Warrant reserve RM'000	Retained earnings RM'000	Total equity RM'000
		< ---- Attributable to owners of the Company						---- >
		< ---- Non-distributable				---- >	Distributable	
Company								
At 1 January 2017		82,506	11,902	(471)	1,248	16,967	17,867	130,019
Profit and total comprehensive income for the year		–	–	–	–	–	13,264	13,264
Contributions by and distributions to owners of the Company								
Equity settled share based transaction	10							
- Share option granted		–	–	–	992	–	–	992
- Share issued pursuant to ESOS		4,194	65	–	–	–	–	4,259
- Share option exercised		1,094	–	–	(1,094)	–	–	–
Own shares sold		–	–	503	–	–	224	727
Bonus issue		20,941	(11,000)	–	–	–	(9,941)	–
Own shares acquired	10	–	–	(176)	–	–	–	(176)
Dividends to owners of the Company	19	–	–	–	–	–	(13,381)	(13,381)
Total transactions with owners of the Company		26,229	(10,935)	327	(102)	–	(23,098)	(7,579)
Transfer to share premium for share options exercised prior to implementation of Companies Act 2016		–	26	–	(26)	–	–	–
Share option forfeited		–	–	–	(132)	–	132	–
At 31 December 2017		108,735	993	(144)	988	16,967	8,165	135,704

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

STATEMENT OF CHANGES IN EQUITY (CONT'D)

		< ---- Attributable to owners of the Company ---- >						
		< ---- Non-distributable ---- >					Distributable	
	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Share option reserve RM'000	Warrant reserve RM'000	Retained earnings RM'000	Total equity RM'000
Company								
At 1 January 2018		108,735	993	(144)	988	16,967	8,165	135,704
Profit and total comprehensive income for the year		–	–	–	–	–	1,794	1,794
Contributions by and distributions to owners of the Company								
Equity settled share based transaction	10							
- Share option granted		–	–	–	1,014	–	–	1,014
- Share issued pursuant to ESOS		124	–	–	–	–	–	124
- Share option exercised		31	–	–	(31)	–	–	–
Own shares acquired	10	–	–	(518)	–	–	–	(518)
Dividends to owners of the Company	19	–	–	–	–	–	(2,097)	(2,097)
Total transactions with owners of the Company		155	–	(518)	983	–	(2,097)	(1,477)
Share option forfeited		–	–	–	(181)	–	181	–
Transfer in accordance with Section 618(2) of the Companies Act 2016	10	993	(993)	–	–	–	–	–
At 31 December 2018		109,883	–	(662)	1,790	16,967	8,043	136,021

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

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2018

	Group		Company	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000
Cash flows from operating activities				
(Loss)/Profit before tax	(11,650)	9,889	1,823	13,264
Adjustments for:-				
Depreciation	17,052	14,523	–	–
Equity settled share-based transaction	1,014	992	–	–
Finance costs	2,802	1,433	–	–
Finance income	(70)	(148)	–	(55)
Property, plant and equipment:				
- Written off	1	2	–	–
- Gain on disposal	(11)	(2)	–	–
Reversal of impairment loss on trade receivables	(16)	(213)	–	–
Unrealised loss/(gain) on foreign exchange	1,418	(1,952)	–	–
Dividend income	(32)	(256)	–	–
Operating profit before changes in working capital	10,508	24,268	1,823	13,209
Change in employee benefits	(56)	7	–	–
Change in inventories	306	(1,802)	–	–
Change in trade and other receivables	20,405	4,317	1	11
Change in trade and other payables	(9,972)	(4,032)	115	(52)
Change in contract assets	3,769	(1,628)	–	–
Change in dividend receivable	–	–	–	17,000
Cash generated from operations	24,960	21,130	1,939	30,168
Tax paid	(1,686)	(3,881)	(13)	(13)
Other finance costs paid	(207)	(250)	–	–
Net cash from operating activities	23,067	16,999	1,926	30,155
Cash flows from investing activities				
Increase in investments in subsidiaries	–	–	–	(23,200)
Acquisition of property, plant and equipment	(47,987)	(44,823)	–	–
Proceeds from disposal of property, plant and equipment	328	61	–	–
Interest received	70	148	–	55
Dividend received	32	256	–	–
Net cash used in investing activities	(47,557)	(44,358)	–	(23,145)

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

STATEMENTS OF CASH FLOWS (CONT'D)

	Note	Group 2018 RM'000	Group 2017 RM'000 Restated	Company 2018 RM'000	Company 2017 RM'000
Cash flows from financing activities					
Drawndown of term loans		23,501	13,633	–	–
Repayment of term loans		(9,991)	(6,429)	–	–
Net short term borrowings		12,808	9,422	–	–
Proceeds from exercise of share option		124	4,259	124	4,259
Net (payment)/proceeds from the repurchase and resale of treasury shares		(518)	551	(518)	551
Dividends paid to owners of the Company		(2,276)	(13,307)	(2,276)	(13,307)
Interest paid		(2,595)	(1,183)	–	–
Net cash from/(used in) financing activities		21,053	6,946	(2,670)	(8,497)
Exchange differences on translation of the financial statements of foreign operations		–	(1)	–	–
Net decrease in cash and cash equivalents		(3,437)	(20,414)	(744)	(1,487)
Cash and cash equivalents at 1 January		10,492	30,906	827	2,314
Cash and cash equivalents at 31 December	9	7,055	10,492	83	827

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

NOTES TO THE FINANCIAL STATEMENTS

Tomypak 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 9D, Level 9
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 2018 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 2018 do not include other entities.

The Company is an investment holding company. The principal activities of its subsidiaries are disclosed in Note 5.

These financial statements were authorised for issue by the Board of Directors on 17 April 2019.

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 ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, interpretations and amendments 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 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 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- 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*

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 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

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, interpretations and amendments in the respective financial year when the above standards, interpretations and amendments become effective.

The Group and the Company do not plan to apply MFRS 17, Insurance Contracts that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, interpretations and amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company except as mentioned below:

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 and the Company are 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.

The Group has prepared its financial statements on a going concern basis, notwithstanding that the Group incurred a net loss of RM1,870,001 for the year ended 31 December 2018 and, as of that date, the Group's current liabilities exceeded its current assets by RM13,701,331. A subsidiary has not complied with one of the financial covenant of the term loan as disclosed in Note 11 and consequently, the entire term loans have been classified as current liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1. BASIS OF PREPARATION (CONT'D)

(b) Basis of measurement (Cont'd)

The Group has obtained the approval from the bank subsequent to reporting period before date of financial statements, granting waiver on the non-compliance with the financial covenant as at the end of reporting period.

Accordingly, as at the end of reporting period and as at the date of this financial statements were authorised for issue, the preparation of financial statements of the Group on a going concern basis is appropriate.

(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 other than those disclosed in the following notes:

- Note 4 - recognition of deferred tax assets

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.

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments,* there are changes to the accounting policies of:

i) financial instruments;
ii) revenue recognition; and
iii) impairment losses of financial instruments

as compared to those adopted in previous financial statements. There is no significant financial impact on the adoption of MFRS 9 except for financial assets that were previously classified as loans and receivables are now classified as amortised cost. The impacts arising from the adoption of MFRS 15 is disclosed in Note 26.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 a 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 respective 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 which 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 equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, 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.

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) Recognition and initial 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 asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

The categories of financial assets at initial recognition are as follows:

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

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 assets (Cont'd)

(a) Amortised cost (Cont'd)

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(i)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through other comprehensive income

(i) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(i)(i)) where the effective interest rate is applied to the amortised cost.

(ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

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

Financial assets (Cont'd)

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 2(i)(i)).

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

(a) 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 and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
(b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or
(c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

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.

Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the Group or the Company, and
(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

(iv) Financial guarantee contracts

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

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

(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 transferred, 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 of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(v) Derecognition (Cont'd)

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. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(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
Buildings	40 years
Plant and machinery	2 - 20 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Inventories

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

The cost of inventories is calculated using 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) Contract asset/Contract liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note 2(i)(i)).

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(h) 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.

(i) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Impairment (Cont'd)

(i) Financial assets (Cont'd)

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

(ii) Other assets

The carrying amounts of other assets (except for inventories, contract assets, deferred tax assets 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 goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) 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.

(j) 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) Ordinary shares

Ordinary shares are classified as equity.

(iii) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) 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 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.

(l) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) 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.

(m) 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.

(n) 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)

(n) 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.

(o) 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.

(p) 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Fair value measurements

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 value is 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.

3. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings 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 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/ 1 January 2018	70,070	241,025	16,456	2,043	–	329,594
Additions	1,073	43,995	2,603	316	–	47,987
Disposals	–	(2,031)	(110)	(650)	–	(2,791)
Written off	–	–	(1)	–	–	(1)
At 31 December 2018	71,143	282,989	18,948	1,709	–	374,789

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

	Land and buildings 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
Accumulated depreciation						
At 1 January 2017	7,371	126,556	9,036	601	–	143,564
Depreciation charge	1,080	12,134	991	318	–	14,523
Disposals	–	(2)	(9)	–	–	(11)
Written off	–	–	(11)	–	–	(11)
At 31 December 2017/ 1 January 2018	8,451	138,688	10,007	919	–	158,065
Depreciation charge	1,591	13,212	1,926	323	–	17,052
Disposals	–	(2,040)	(40)	(394)	–	(2,474)
At 31 December 2018	10,042	149,860	11,893	848	–	172,643
Carrying amounts						
At 1 January 2017	22,504	87,250	2,060	907	28,569	141,290
At 31 December 2017/ 1 January 2018	61,619	102,337	6,449	1,124	--	171,529
At 31 December 2018	61,101	133,129	7,055	861	--	202,146

	2018 RM'000	2017 RM'000
Carrying amounts of land and buildings		
At cost		
Land	18,139	18,251
Buildings	42,962	43,368
	61,101	61,619

Security

Certain property, plant and machinery of the Group with net book value of RM89,241,866 (2017: RM60,776,453) 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 NIL (2017: RM54,809).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Group 2018 RM'000	Group 2017 RM'000 Restated
Property, plant and equipment	(17,310)	(13,486)
Inventories	559	629
Trade receivables	33	58
Employee benefit plan	146	160
Unabsorbed capital allowances	7,092	1,749
Unutilised reinvestment allowances	13,943	6,284
Contract assets	(114)	(306)
Others	178	(384)
	4,527	(5,296)

Pursuant to the announcement of Finance Bill 2018 in conjunction with the Budget Announcement 2019, unutilised reinvestment allowances from a year of assessment can only be carried forward up to 7 consecutive year of assessment. Unabsorbed capital allowances attributable to group entities incorporated in Malaysia do not expire under the current tax legislation.

Movement in temporary differences during the year

	At 1 January 2017 RM'000 Restated	Recognised in profit or loss (Note 16) RM'000	At 31 December 2017/ 1 January 2018 RM'000 Restated	Recognised in profit or loss (Note 16) RM'000	At 31 December 2018 RM'000
Group					
Property, plant and equipment	(9,662)	(3,824)	(13,486)	(3,824)	(17,310)
Inventories	267	362	629	(70)	559
Trade receivables	109	(51)	58	(25)	33
Employee benefit plan	158	2	160	(14)	146
Unabsorbed capital allowances	–	1,749	1,749	5,343	7,092
Unutilised reinvestment allowances	–	6,284	6,284	7,659	13,943
Contract assets	(283)	(23)	(306)	192	(114)
Others	15	(399)	(384)	562	178
	(9,396)	4,100	(5,296)	9,823	4,527

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018 RM'000	2017 RM'000
Unquoted shares, at cost	133,178	133,178
Share options allocated to a subsidiary's employees	3,382	2,368
	136,560	135,546

Details of the subsidiaries are as follows:

Name of entity	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2018 %	2017 %
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 firm of accountants

5.1 Non-controlling interest in subsidiaries

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

6. INVENTORIES

	Group	
	2018 RM'000	2017 RM'000 Restated
Raw materials	21,069	20,615
Work-in-progress	3,777	2,708
Finished goods	1,490	2,782
Consumables	2,351	2,888
	28,687	28,993
Recognised in profit or loss:		
- Inventories recognised as cost of sales	165,367	185,459

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. CONTRACT ASSETS

The contract assets primarily relate to the Group's rights to consideration for work completed on contracts but not yet billed at the reporting date. Typically, the amount will be billed within 30 days and payment is expected within 60 to 90 days.

There is no significant changes to contract assets balances during the year.

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade receivables	38,431	49,326	–	–
Other receivables, deposits and prepayments	3,167	12,948	1	2
	41,598	62,274	1	2

Included in other receivables, deposits and prepayments is deposit/advance payments of RM987,901 (2017: RM9,284,756) 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 amounting to RM13,328 (2017: RM81,613).

9. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and bank balances	7,055	9,492	83	827
Short term deposits	–	1,000	–	–
	7,055	10,492	83	827

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. CAPITAL AND RESERVES

Share capital

	Group/Company		Group/Company Number of ordinary shares	
	2018 RM'000	**2017 RM'000**	**2018 '000**	**2017 '000**
Issued and fully paid shares classified as equity instruments:				
Ordinary shares:				
At 1 January	108,735	82,506	419,632	165,012
Shares issued under ESOS	124	4,194	199	3,324
Share option exercised	31	1,094	–	–
Share split	–	–	–	167,531
Bonus shares issued	–	20,941	–	83,765
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016 (Note 10.1)	993	–	–	–
At 31 December	109,883	108,735	419,831	419,632

10.1 Included in share capital is share premium amounting to RM993,000 that is available to be utilised in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74 of Companies Act 2016).

Reserves

	Group		Company	
	2018 RM'000	**2017 RM'000 Restated**	**2018 RM'000**	**2017 RM'000**
Non-distributable				
Share premium	–	993	–	993
Treasury shares	(662)	(144)	(662)	(144)
Translation reserve	(4)	(4)	–	–
Share option reserve	1,790	988	1,790	988
Warrant reserve	16,967	16,967	16,967	16,967
Merger reserve	2,991	2,991	–	–
	21,082	21,791	18,095	18,804
Distributable				
Retained earnings	61,387	65,167	8,043	8,165
	82,469	86,958	26,138	26,969

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. CAPITAL AND RESERVES (CONT'D)

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 of the Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. Accordingly, the share premium has been transferred and become part of the Company's share capital.

Treasury shares

At the Annual General Meeting held on 1 June 2018, 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 747,000 of its issued ordinary shares with an average repurchase price of RM0.69. The repurchase transactions were financed by internally generated funds and the repurchased shares are being held as treasury shares and carried at cost.

At 31 December 2018, a total of 899,000 (2017: 152,000) repurchased shares are being held as treasury shares. The number of outstanding shares issue after the set off is 418,931,670 (2017: 419,480,070).

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 capital. When the share option expires, the amount from the share option reserve is transferred to retained earnings. Share option programme is disclosed in Note 12.2.

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 capital. When the Warrant 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)

11. LOANS AND BORROWINGS

	Group	
	2018 RM'000	2017 RM'000
Non-current		
Term loans - secured	–	24,477
Current		
Term loans - secured	46,595	7,477
Trust receipts - unsecured	25,276	18,803
Revolving credit - secured	6,335	–
	78,206	26,280
	78,206	50,757

Security

The loans and borrowings 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.

Significant covenants

The loans and borrowings of the subsidiary are subject to the following financial covenants:

i) Gearing ratio shall not exceed 1.0 time;
ii) Debt service ratio shall not be less than 2.0 times; and
iii) The subsidiary's tangible net worth shall not be less than RM45 million.

As at 31 December 2018, the subsidiary has not complied with the financial covenant of maintaining the debt service ratio not less than 2.0 times and consequently in accordance to paragraph 74 of MFRS 101 Presentation of Financial Statements, the entire term loans have been classified as current liabilities.

The Group has obtained the approval from the bank subsequent to reporting period before date of financial statements, granting waiver on the non-compliance with the financial covenant as at the end of reporting period.

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

	At 1 January 2018 RM'000	Net changes from financing cash flows RM'000	Foreign exchange movement RM'000	At 31 December 2018 RM'000
Group				
Term loans	31,954	13,510	1,131	46,595
Trust receipts	18,803	6,473	–	25,276
Revolving credit	–	6,335	–	6,335
Total liabilities from financing activities	50,757	26,318	1,131	78,206

11. LOANS AND BORROWINGS (CONT'D)

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

12. EMPLOYEE BENEFITS

12.1 Retirement benefits

	Group 2018 RM'000	Group 2017 RM'000
Defined benefit liability	609	665

The Group has a retirement benefit plan 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.

	Group 2018 RM'000	Group 2017 RM'000
Balance at 1 January	665	658
Included in profit or loss		
Current service cost	55	7
	720	665
Other		
- Reversal of benefits	(111)	–
Balance at 31 December	609	665

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12. EMPLOYEE BENEFITS (CONT'D)

12.2 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	4,037	5 years
- 6 January 2017	135	4.66 years
- 9 September 2017	5,130	4 years
- 28 January 2018	724	3.44 years
- 24 December 2018	5,910	2.54 years

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

	2018		2017	
	Weighted average exercise price RM	Number of options ('000)	Weighted average exercise price RM	Number of options ('000)
Outstanding at 1 January	0.83	5,644	1.50	3,131
Granted during the year	0.57	6,634	0.89	5,265
Share split during the year	–	–	–	636
Bonus issue during the year	–	–	–	318
Forfeited during the year	0.85	(930)	1.03	(382)
Exercised during the year	0.62	(199)	1.28	(3,324)
Outstanding at 31 December	0.68	11,149	0.83	5,644

The options outstanding at 31 December 2018 have an exercise price in the range of RM0.53 to RM0.91 (2017: RM0.59 to RM0.87) and a weighted average contractual life of 3 years (2017: 4 years).

12. EMPLOYEE BENEFITS (CONT'D)

12.2 Share-based payments arrangement (Cont'd)

Share option programme (equity settled) (Cont'd)

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:

	< -------------- 2018	-------------- >	2017
	28 January 2018	**24 December 2018**	**9 September 2017**
Fair value at grant date	RM0.241	RM0.142	RM0.183
Fair value of share options and assumptions			
Weighted average share price	RM0.910	RM0.530	RM0.870
Share price at grant date	RM1.010	RM0.590	RM0.935
Expected volatility (weighted average volatility)	25.25%	31.33%	28.34%
Option life (expected weighted average life)	2.43 years	1.75 years	2.88 years
Expected dividends	0.64%	0.64%	5.36%
Risk-free interest rate (based on Malaysian Government Securities)	3.36%	3.51%	3.42%

Value of employee services received for issue of share options

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Total expense recognised as equity settled share-based transaction	1,014	992	–	–

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Trade payables	14,224	17,262	–	–
Other payables and accrued expenses	7,966	14,900	448	473
Due to a subsidiary				
- non-trade	–	–	140	–
	22,190	32,162	588	473

The non-trade amount due to a subsidiary is unsecured, interest free and has no fixed term of repayment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. TRADE AND OTHER PAYABLES (CONT'D)

Included in other payables and accrued expenses are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Plant and equipment payables	736	2,998	–	–
Sundry payables	4,514	2,336	2	–
Accruals and provisions	2,716	9,240	446	473
Retention sum	–	326	–	–
	7,966	14,900	448	473

14. REVENUE

	Group		Company	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000
Revenue from contracts with customers				
- Over time	168,382	205,907	–	–
Other revenue				
- Dividend income	–	–	2,600	14,250
	168,382	205,907	2,600	14,250

	Group	
	2018 RM'000	2017 RM'000 Restated
Disaggregation of revenue from contracts with customers		
- Local	101,189	103,522
- Export	67,193	102,385
	168,382	205,907

14.1 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms
Made-to-order packaging products	Revenue is recognised overtime as costs are incurred. These contracts would meet the no alternative use and the Group has rights to payment for work performed	Credit period of 60 to 90 days from invoice date

The Group applies the practical expedients for exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. FINANCE COSTS

	Group 2018 RM'000	Group 2017 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss	2,595	1,238
Bank charges	207	250
	2,802	1,488
Less: Finance cost capitalised	–	(55)
	2,802	1,433

16. TAX (INCOME)/EXPENSE

Recognised in profit or loss

Major components of income tax expense include:

	Group 2018 RM'000	Group 2017 RM'000 Restated	Company 2018 RM'000	Company 2017 RM'000
Current tax expense				
- Current year	17	22	–	–
- Prior years	26	345	29	–
	43	367	29	–
Deferred tax income				
- Origination of temporary differences	(9,855)	(3,404)	–	–
- Under/(Over) provision in prior years	32	(696)	–	–
	(9,823)	(4,100)	–	–
	(9,780)	(3,733)	29	–
Reconciliation of tax income				
(Loss)/Profit before tax	(11,650)	9,889	1,823	13,264
Income tax calculated using Malaysian tax rate of 24%	(2,796)	2,373	438	3,183
Non-deductible expense	625	595	186	237
Tax incentive	(7,659)	(6,284)	–	–
Non-taxable income	(8)	(66)	(624)	(3,420)
	(9,838)	(3,382)	–	–
Under/(Over) provision in prior years	58	(351)	29	–
Tax (income)/expense	(9,780)	(3,733)	29	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. (LOSS)/PROFIT FOR THE YEAR

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(Loss)/Profit for the year is arrived at after charging/(crediting)				
Auditors' remuneration:				
- Audit fees				
- KPMG PLT	193	131	40	30
- Other auditors	22	17	–	–
- Non-audit fee				
- Local affiliates of KPMG PLT	14	14	3	3
- KPMG PLT	5	27	–	–
Depreciation	17,052	14,523	–	–
Rental of premises	144	263	–	–
Dividend income	(32)	(256)	–	–
Foreign exchange:				
- Realised (gain)/loss	(426)	951	–	–
- Unrealised loss/(gain)	1,418	(1,952)	–	–
Personnel expenses (including key management personnel):				
- Contributions to state plans	1,036	1,083	–	–
- Expenses related to defined benefit plans	(56)	6	–	–
- Wages, salaries and others	16,792	17,756	–	–
- Equity settled share-based transactions	1,014	992	–	–
Property, plant and equipment:				
- Written off	1	2	–	–
- Gain on disposal	(11)	(2)	–	–
Reversal of impairment loss on trade receivables	(16)	(213)	–	–

18. (LOSS)/EARNINGS PER ORDINARY SHARE

Basic (loss)/earnings per ordinary share

The calculation of basic (loss)/earnings per ordinary share at 31 December 2018 was based on the (loss)/profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

Profit attributable to ordinary shareholders:

	Group	
	2018 RM'000	2017 RM'000 Restated
(Loss)/Profit for the year attributable to owners	(1,864)	13,651
Weighted average number of ordinary shares	419,350	417,270

18. (LOSS)/EARNINGS PER ORDINARY SHARE (CONT'D)

Basic (loss)/earnings per ordinary share (Cont'd)

	Group	
	2018	2017 Restated
Basic (loss)/earnings per ordinary share (sen)	(0.44)	3.27

Diluted (loss)/earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2018 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	
	2018 RM'000	2017 RM'000
(Loss)/Profit for the year attributable to owners (diluted)	(1,864)	13,651

Weighted average number of ordinary shares (diluted):

	Group	
	2018 '000	2017 '000
Weighted average number of ordinary shares (basic)	419,350	417,270
Effect of share options in issue	927	875
Effect of exercise of warrant	–*	–*
Weighted average number of ordinary shares (diluted) at 31 December	420,277	418,145

	2018	2017
Diluted (loss)/earnings per ordinary share (sen)	(0.44)	3.26

* The warrants are anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. DIVIDENDS

Dividends recognised by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2018			
2017 - Fourth dividend	0.20	839	5 April 2018
2018 - First dividend	0.30	1,258	9 July 2018
Total amount		2,097	
2017			
2016 - Fourth dividend	2.0	3,319	3 April 2017
2017 - First dividend	2.0	3,351	16 June 2017
2017 - Second dividend	0.8	3,356	2 October 2017
2017 - Third dividend	0.8	3,355	27 December 2017
Total amount		13,381	

20. OPERATING SEGMENTS

The Group operates principally in Malaysia and 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.

	2018 RM'000	2017 RM'000
Revenue		
- Local	101,189	103,522
- Export	67,193	102,385
	168,382	205,907

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** 2018 RM'000	2017 RM'000
Local market	48,036	55,360
Export market	15,255	35,290
	63,291	90,650

21. CONTINGENT LIABILITIES

	Company	
	2018 RM'000	2017 RM'000
Unsecured		
Corporate guarantees given to banks in respect of outstanding banking facilities of a subsidiary	78,206	50,757

	Group	
	2018 RM'000	2017 RM'000
Secured		
Property, plant and equipment charged to banks as security for banking facilities granted to a subsidiary	89,242	60,776

22. CAPITAL COMMITMENTS

	Group	
	2018 RM'000	2017 RM'000
Capital expenditure commitments		
Plant and equipment		
Contracted but not provided for	1,863	23,307

23. FINANCIAL INSTRUMENTS

23.1 Categories of financial instruments

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

23.2 Net gains and losses arising from financial instruments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net gains/(losses) on:				
Financial assets at amortised cost	(1,394)	1,345	–	55
Financial liabilities at amortised cost	(2,314)	(1,416)	–	–
	(3,708)	(71)	–	55

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

23.4 Credit risk

Credit risk is the risk of a financial loss 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 receivable from customers. The Company's exposure to credit risk arises principally from financial guarantees given to banks for credit facilities granted to a subsidiary. There are no significant changes as compared to prior period.

Trade receivables and contract assets

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.

At each reporting date, the Group assesses whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

There are no significant changes as compared to prior period.

Exposure to credit risk, credit quality and collateral

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

Concentration of credit risk

The Group has significant concentrations of credit risk arising from amounts due from four (2017: three) major customers, representing 66% (2017: 70%) of the Group's trade receivables and contract assets.

Recognition and measurement of impairment loss

Management has taken reasonable steps to ensure that trade receivables are neither past due nor impaired are stated 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 term, which are deemed to have higher credit risk, are monitored individually.

The Group uses an allowance matrix to measure expected credit losses ("ECLs") of trade receivables. Invoices which are past due 90 days will be considered as credit impaired.

23. FINANCIAL INSTRUMENTS (CONT'D)

23.4 Credit risk (Cont'd)

Trade receivables and contract assets (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 90 days past due.

Loss rates are based on actual credit loss experience over the past three years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at the end of the reporting date which are grouped together as they are expected to have similar risk nature.

Group	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2018			
Current (not past due)	30,072	–	30,072
1 - 30 days past due	9,018	–	9,018
31 - 60 days past due	2,302	–	2,302
61 - 90 days past due	109	–	109
	41,501	–	41,501
Credit impaired			
More than 90 days past due	305	–	305
Individually impaired	139	(139)	–
	41,945	(139)	41,806
Trade receivables	38,570	(139)	38,431
Contract assets	3,375	–	3,375
	41,945	(139)	41,806

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.4 Credit risk (Cont'd)

Trade receivables and contract assets (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

Group	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2017			
Current (not past due)	39,911	–	39,911
1 - 30 days past due	10,946	–	10,946
31 - 60 days past due	3,464	–	3,464
61 - 90 days past due	1,128	–	1,128
	55,449	–	55,449
Credit impaired			
More than 90 days past due	1,021	–	1,021
Individually impaired	241	(241)	–
	56,711	(241)	56,470
Trade receivables	49,567	(241)	49,326
Contract assets	7,144	–	7,144
	56,711	(241)	56,470

The movements in the allowance for impairment in respect of trade receivables during the year are shown below.

Group	Credit impaired/Total 2018 RM'000	2017 RM'000
Balance at 1 January	241	454
Amounts written off	(86)	–
Net remeasurement of loss allowance	(16)	(213)
Balance at 31 December	139	241

As at 31 December 2018, RM86,099 of trade receivables were written off but they are still subject to enforcement activity.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.4 Credit risk (Cont'd)

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables

The Group and the Company monitor the exposure to credit risk on individual basis.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position and the Group and the Company do not recognise any allowance for impairment losses.

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 the ability of the subsidiary to service its loans on an individual basis.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM78,205,765 (2017: RM50,757,469) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

The financial guarantees are provided as credit enhancements to the subsidiary's secured loans.

Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

- The subsidiary is unlikely to repay its credit obligation to the bank in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default of the guaranteed loans individually using internal information available.

As at the end of the reporting period, the Company does not recognise any allowance for impairment losses.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.5 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.

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
2018							
Group							
Non-derivative financial liabilities							
Secured term loans	46,595	2.74 - 4.30	49,147	49,147	–	–	–
Unsecured trust receipts	25,276	3.40 - 4.80	25,276	25,276	–	–	–
Secured revolving credit	6,335	5.00	6,335	6,335	–	–	–
Trade and other payables	22,190	–	22,190	22,190	–	–	–
Dividends payable	51	–	51	51	–	–	–
	100,447		102,999	102,999	–	–	–
Company							
Non-derivative financial liabilities							
Other payables	588	–	588	588	–	–	–
Dividends payable	51	–	51	51	–	–	–
Financial guarantee	–	–	78,206*	78,206	–	–	–
	639		78,845	78,845	–	–	–
2017							
Group							
Non-derivative financial liabilities							
Secured term loans	31,954	2.74 - 3.48	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

23. FINANCIAL INSTRUMENTS (CONT'D)

23.5 Liquidity risk (Cont'd)

	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							
Company							
Non-derivative financial liabilities							
Other payables	473	–	473	473	–	–	–
Dividends payable	230	–	230	230	–	–	–
Financial guarantee	–	–	50,757*	50,757	–	–	–
	703		51,460	51,460	–	–	–

* represents the amount outstanding as disclosed in Note 23.4.

23.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates 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 ("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 (a currency 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			------ >
	USD RM'000	EUR RM'000	SGD RM'000	JPY RM'000
2018				
Trade receivables	15,431	–	1,477	–
Other receivables	35	–	–	–
Cash and cash equivalents	2,208	–	340	–
Secured term loans	(44,811)	–	(1,784)	–
Secured revolving credit	(6,335)	–	–	–
Unsecured trust receipts	(24,500)	–	–	–
Trade payables	(1,396)	–	(234)	–
Other payables	(242)	(478)	–	–
	(59,610)	(478)	(201)	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.6 Market risk (Cont'd)

Currency risk (Cont'd)

	< ---------- Denominated in ---------- >			
	USD RM'000	**EUR RM'000**	**SGD RM'000**	**JPY RM'000**
2017				
Trade receivables	19,435	–	59	–
Other receivables	5,754	–	26	1,669
Cash and cash equivalents	619	–	1,107	–
Unsecured trust receipts	(27,942)	–	(4,012)	–
Secured term loans	(18,803)	–	–	–
Trade payables	(1,035)	–	(234)	–
Other payables	(194)	(1,716)	(123)	(113)
	(22,166)	(1,716)	(3,177)	1,556

Currency risk sensitivity analysis

A 10% (2017: 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	
	2018 RM'000	**2017 RM'000**
USD	4,530	1,685
EUR	36	130
SGD	15	241
JPY	–	(118)

A 10% (2017: 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)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.6 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:

	2018 RM'000	2017 RM'000
Fixed rate instruments		
Financial assets	–	1,000
Financial liabilities	(31,611)	(18,803)
	(31,611)	(17,803)
Floating rate instruments		
Financial liabilities	(46,595)	(31,954)

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 RM354,000 (2017: RM243,000). This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

23.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably 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)

24. 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 2018, the Group's strategy, which was unchanged from 2017, was to maintain the debt-to-equity ratio at below 1.00 time. The debt-to-equity ratios at 31 December 2018 and at 31 December 2017 were as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Total borrowings (Note 11)	78,206	50,757
Less: Cash and cash equivalents (Note 9)	(7,055)	(10,492)
	71,151	40,265
Total equity	192,363	195,710
Debt-to-equity-ratios	0.37	0.21

A subsidiary is required to comply with certain loan covenants, failing which, the bank may call an event of default. The subsidiary has not complied with one of the financial covenant as disclosed in Note 11.

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.

25. 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 include 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.

25. RELATED PARTIES (CONT'D)

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 Notes 8 and 13.

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
A. Subsidiaries				
Dividend receivable	–	–	2,600	14,250
B. Company in which a Director of the subsidiary has a substantial financial interest				
Purchases	345	1,060	–	–
C. Company with a parent company that has a common Director with the Company				
Sales of goods	97	1,338	–	–
D. Key management personnel compensation				
Directors:				
- Fees	405	405	405	405
- Remuneration	1,089	1,385	16	11
- Contributions to state plans	132	172	–	–
Total short-term employee benefits	1,626	1,962	421	416
Other key management personnel:				
- Remuneration	195	332	–	–
- Contributions to state plans	23	46	–	–
	218	378	–	–
	1,844	2,340	421	416

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 RM52,706 (2017: RM35,952).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the year, the Group and the Company adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* on their financial statements. The Group and the Company generally applied the requirements of these accounting standards retrospectively with practical expedients and transitional exemptions as allowed by the standards. There is no significant financial impact upon adoption of MFRS 9.

26.1 Impacts on financial statements

The following tables summarise the impacts arising from the adoption of MFRS 15 on the Group's financial statements.

a. Statement of financial position

Group **1 January 2017**	**As previously reported RM'000**	**MFRS 15 adjustments RM'000**	**As restated RM'000**
Assets			
Property, plant and equipment/ **Total non-current assets**	141,290	–	141,290
Inventories	31,524	(4,333)	27,191
Contract assets	–	5,516	5,516
Trade and other receivables	64,426	–	64,426
Current tax assets	874	–	874
Cash and cash equivalents	30,906	–	30,906
Total current assets	127,730	1,183	128,913
Total assets	269,020	1,183	270,203
Equity			
Share capital	82,506	–	82,506
Reserves	106,217	899	107,116
Equity attributable to owners of the Company	188,723	899	189,622
Non-controlling interests	46	–	46
Total equity	188,769	899	189,668

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

26.1 Impacts on financial statements (Cont'd)

a. Statement of financial position (Cont'd)

Group 1 January 2017	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000
Liabilities			
Loans and borrowings	19,925	–	19,925
Deferred tax liabilities	9,112	284	9,396
Employee benefits	658	–	658
Total non-current liabilities	29,695	284	29,979
Trade and other payables	36,194	–	36,194
Loans and borrowings	14,206	–	14,206
Dividends payable	156	–	156
Total current liabilities	50,556	–	50,556
Total liabilities	80,251	284	80,535
Total equity and liabilities	269,020	1,183	270,203

Group 31 December 2017			
Assets			
Property, plant and equipment/ **Total non-current assets**	171,529	–	171,529
Inventories	34,861	(5,868)	28,993
Contract assets	–	7,144	7,144
Trade and other receivables	62,274	–	62,274
Current tax assets	4,388	–	4,388
Cash and cash equivalents	10,492	–	10,492
Total current assets	112,015	1,276	113,291
Total assets	283,544	1,276	284,820

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

26.1 Impacts on financial statements (Cont'd)

a. Statement of financial position (Cont'd)

Group 1 December 2017	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000
Equity			
Share capital	108,735	–	108,735
Reserves	85,988	970	86,958
Equity attributable to owners of the Company	194,723	970	195,693
Non-controlling interests	17	–	17
Total equity	194,740	970	195,710
Liabilities			
Loans and borrowings	24,477	–	24,477
Deferred tax liabilities	4,990	306	5,296
Employee benefits	665	–	665
Total non-current liabilities	30,132	306	30,438
Trade and other payables	32,162	–	32,162
Loans and borrowings	26,280	–	26,280
Dividends payable	230	–	230
Total current liabilities	58,672	–	58,672
Total liabilities	88,804	306	89,110
Total equity and liabilities	283,544	1,276	284,820

b. Statement of profit of loss and other comprehensive income

Group For the year ended 31 December 2017	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000
Revenue	204,279	1,628	205,907
Cost of sales	(183,924)	(1,535)	(185,459)
Gross profit	20,355	93	20,448
Other income	2,935	–	2,935
Distribution expenses	(3,706)	–	(3,706)
Administrative expenses	(7,545)	–	(7,545)
Other expenses	(958)	–	(958)

26. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

26.1 Impacts on financial statements (Cont'd)

b. Statement of profit of loss and other comprehensive income (Cont'd)

Group **For the year ended 31 December 2017**	**As previously reported RM'000**	**MFRS 15 adjustments RM'000**	**As restated RM'000**
Results from operating activities	11,081	93	11,174
Finance income	148	–	148
Finance costs	(1,433)	–	(1,433)
Net finance costs	(1,285)	–	(1,285)
Profit before tax	9,796	93	9,889
Tax income	3,755	(22)	3,733
Profit for the year	13,551	71	13,622
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)	–	(1)
Total comprehensive income for the year	13,550	71	13,621
Profit attributable to:			
Owners of the Company	13,580	71	13,651
Non-controlling interests	(29)	–	(29)
Profit for the year	13,551	71	13,622
Total comprehensive income attributable to:			
Owners of the Company	13,579	71	13,650
Non-controlling interests	(29)	–	(29)
Total comprehensive income for the year	13,550	71	13,621
Basic earnings per ordinary share (sen)	3.25		3.27
Diluted earnings per ordinary share (sen)	3.25		3.26

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

26.1 Impacts on financial statements (Cont'd)

c. Statement of cash flows

Group **For the year ended 31 December 2017**	**As previously reported RM'000**	**MFRS 15 adjustments RM'000**	**As restated RM'000**
Profit before tax	9,796	93	9,889
Adjustments for:			
Depreciation	14,523	–	14,523
Equity settled share-based transaction	992	–	992
Finance costs	1,433	–	1,433
Reversal of impairment loss on trade receivables	(213)	–	(213)
Property, plant and equipment:			
- Written off	2	–	2
- Gain on disposal	(2)	–	(2)
Finance income	(148)	–	(148)
Unit trust dividend income	(256)	–	(256)
Unrealised gain on foreign exchange	(1,952)	–	(1,952)
Operating profit before changes in working capital	24,175	93	24,268
Change in employee benefits	7	–	7
Change in inventories	(3,337)	1,535	(1,802)
Change in trade and other receivables	4,317	–	4,317
Change in trade and other payables	(4,032)	–	(4,032)
Change in contract assets	–	(1,628)	(1,628)
Cash generated from operations	21,130	–	21,130
Tax paid	(3,881)	–	(3,881)
Other finance costs paid	(250)	–	(250)
Net cash from operating activities	16,999	–	16,999

26. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

26.2 Accounting for revenue

The following are the changes in revenue recognition from the adoption of MFRS 15:

Type of revenue	Previous year's revenue recognition	Current year's revenue recognition
Made-to-order packaging products	The Group previously recognised revenue when the goods were delivered to the customer's premises, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred Revenue was recognised at the point provided that the revenue and costs could be measured reliably, the recovery of the consideration was probable and there was no continuing managerial involvement with the goods	Revenue is recognised sooner under MFRS 15 because it is recognised over time

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 119 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 2018 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: 17 April 2019

STATUTORY **DECLARATION**

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

I, **Chin Ching Yin**, the officer 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 119 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 Chin Ching Yin, NRIC: 800624-01-5274, MIA CA 42891, at Johor Bahru in the State of Johor on 17 April 2019.

Chin Ching Yin

Before me:

Lau Lay Sung
Commissioner for Oaths
J-246

INDEPENDENT AUDITORS' REPORT

To the members of Tomypak Holdings Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Tomypak Holdings Berhad, which comprise the statements of financial position as at 31 December 2018 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 119.

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 2018, 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.

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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

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

Key Audit Matters (Cont'd)

Allowance for obsolete and slow moving inventories - finished goods	
Refer to Note 2(f) - Significant accounting policy: Inventories and Note 6 - Inventories.	
The key audit matter	**How the matter was addressed in our audit**
The Group is involved in the manufacture and sales of flexible food packaging products to overseas and local customers. The finished goods are manufactured based on specification prescribed by the customers. The Group reviewed the ageing profile of finished goods and made specific judgmental allowance for slow moving items. The assessment of obsolete and slow moving finished goods is a key audit matter because other than those awaiting for deliveries to customers, included in the list of finished goods were finished goods with quality issues and production quantities in excess of ordered quantities. The saleability of these finished goods depends on the likelihood of repeat order from the customers and/or the ability of the marketing department to sell these items.	We performed the following audit procedures, among others: • Evaluated design and implementation of controls over allowance for obsolete and slow moving finished goods to ascertain that they are implemented and operated effectively. • Obtained the finished goods listing with production date and tested its completeness by agreeing the finished goods balances to the management accounts and its accuracy by testing the production date to production cost sheet. • Evaluated and challenged the Group's key assumptions in making the allowance for slow moving finished goods by reviewing the assessment by the Group's marketing department and verifying the subsequent sales of these items.

Adoption of MFRS 15 *Revenue from Contracts with Customers*	
Refer to Note l(i) - Significant accounting policy: Revenue and Note 14 - Revenue.	
The key audit matter	**How the matter was addressed in our audit**
MFRS 15 *Revenue from Contracts with Customers* became effective on 1 January 2018. Arising from the adoption of MFRS 15, the Group was required to change accounting policies on revenue recognition. Consequently, new processes and controls have been implemented to cater for the new policies, new judgements were required to evaluate contracts with customers, in particular the determination of whether revenue for each contract is to be recognised over time or at a point in time and new disclosures were made in the financial statements. The accounting policy changes arising from adoption of MFRS 15 is a key audit matter because it required us to design new audit procedures to test new processes and controls implemented by the Group and involvement of our more senior personnel to assess the evaluation of the contracts with the customers performed by the Group.	We performed the following audit procedures, among others: • Evaluated the appropriateness of the accounting policies adopted by the Group by comparing to the requirements of MFRS 15, our business understanding and industry practice. • Evaluated the design and implementation of new controls implemented over identification of contract to ascertain that they are implemented and operated effectively. • Gained an understanding on the transition approach and practical expedients applied. • Assessed the appropriateness of Group's revenue recognition under MFRS 15 by inspecting secured sales orders and sales invoices. • Assessed the completeness, accuracy and appropriateness of disclosures by comparing to the requirements of MFRS 15.

INDEPENDENT AUDITORS' REPORT (CONT'D)

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

Key Audit Matters (Cont'd)

Use of going concern basis in the preparation of financial statements	
Refer to Note 1(b) - Basis of measurement and Note 11 - Loans and borrowings.	
The key audit matter	**How the matter was addressed in our audit**
The Group has prepared its financial statements on a going concern basis, notwithstanding that the Group's current liabilities exceeded its current assets by RM13,701,331. A subsidiary has not complied with one of the financial covenant of the term loan as disclosed in Note 11 and consequently, the entire term loans have been classified as current liabilities. The above gives rise to concerns about whether the Group has sufficient cash flows to meet their obligations for the next twelve months from the end of the reporting period. As disclosed in Note 1 (b) to the financial statements, the above conditions were mitigated by the approval from the said bank subsequent to the reporting period granting waiver on the non-compliance with the financial covenant as at the end of the reporting period. Accordingly, the preparation of the financial statements of the Group on a going concern basis is appropriate.	We performed the following audit procedures, among others: • We inspected all the facility agreements in respect of facilities granted by banks to identify key terms and financial covenants. • We re-performed calculations of financial covenants for financial year ended 31 December 2018 by reference to the facility agreements with banks. • We inspected the correspondence from the bank concerning the waiver granted by the bank on the non-compliance with the financial covenant. • We considered the adequacy of disclosures made by the Group regarding the significant judgement exercised in determining the appropriateness of using the going concern basis in the preparation of the financial statements.

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.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT (CONT'D)

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

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.

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.

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)

- 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.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors is disclosed in Note 5 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

Chan Yen Ing
Approval Number: 03174/04/2019 J
Chartered Accountant

Johor Bahru

Date: 17 April 2019

ANALYSIS OF SHAREHOLDINGS

As at 29th March 2019

Total number of issued shares	:	419,864,670
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share
No. of Shareholders	:	3,306

DISTRIBUTION OF SHAREHOLDINGS

Range of Shares	No. of Shareholders	Percentage (%)	No. of Shares	Percentage (%)
Less than 100	97	2.93	3,629	–
100 - 1,000	206	6.23	117,641	0.03
1,001 - 10,000	1,150	34.79	6,718,662	1.60
10,001 - 100,000	1,576	47.67	48,435,212	11.53
100,001 to less than 5% of issued shares	272	8.23	232,515,474	55.38
5% and above of issued shares	5	0.15	132,074,052	31.46
Total	**3,306**	**100.00**	**419,864,670**	**100.00**

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 29TH MARCH 2019

No.	Name of Substantial Shareholders	Interest in Shares Direct	Deemed	Note	* Percentage % Total
1	New Orient Resources Sdn. Bhd.	98,692,752	–		23.56
3	Yong Kwet On	1 ,117,087	98,692,752	a	23.83
4	Lim Hun Swee	68,358,012	–		16.32
5	Tan Sri Dato' Seri Utama Arshad Bin Ayub	14,364,837	21,781,300	b	8.63
6	Zalaraz Sdn. Bhd.	21,781,300	–		5.20

DIRECTORS' INTERESTS IN SHARES AS AT 29TH MARCH 2019

No.	Name of Directors	Interest in Shares Direct	Deemed	Note	* Percentage % Total
1	Tan Sri Dato' Seri Utama Arshad Bin Ayub	14,364,837	21,781,300	b	8.63
2	Lim Hun Swee	68,358,012	–		16.32
3	Chin Cheong Kee @ Chin Song Kee	427,087	–		0.10
4	Yong Kwet On	1 ,117,087	98,692,752	a	23.83
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 419,864,670 shares less 939,000 treasury shares held by the Company as at 29th March 2019

ANALYSIS OF SHAREHOLDINGS (CONT'D)

LIST OF TOP 30 SHAREHOLDERS AS AT 29TH MARCH 2019

No.	Name of Shareholders	No. of Shares Held	Percentage (%)
1	RHB NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM HUN SWEE	32,500,000	7.7579
2	RHB NOMINEES (TEMPATAN) SDN BHD OSK CAPITAL SDN BHD FOR NEW ORIENT RESOURCES SDN BHD	28,500,000	6.8031
3	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NEW ORIENT RESOURCES SDN BHD	25,702,752	6.1354
4	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NEW ORIENT RESOURCES SDN BHD	23,690,000	5.6549
5	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR ZALARAZ SDN BHD (MY3113)	21,681,300	5.1755
6	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NEW ORIENT RESOURCES SDN. BHD.	16,600,000	3.9625
7	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEW HON CHOY (7003209)	13,077,500	3.1217
8	RHB CAPITAL NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM HUN SWEE (CEB)	12,922,500	3.0847
9	CIMSEC NOMINEES (ASING) SDN BHD CIMB BANK FOR ABDUL AZIZ BIN MOHAMED HUSSAIN (MY0324)	11,885,800	2.8372
10	ALLIANCEGROUP NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM HUN SWEE (8108460)	11,742,500	2.8030
11	LIM HUN SWEE	11,193,012	2.6718
12	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ARSHAD BIN AYUB	10,205,000	2.4360
13	TAN BEE LAY	6,100,000	1.4561
14	AMBANK (M) BERHAD PLEDGED SECURITIES ACCOUNT FOR CHEW HON CHOY (SMART)	5,918,400	1.4128
15	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH CHEN YOOK (021)	5,474,400	1.3068
16	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR LOH CHEN YOOK (MY0023)	4,830,000	1.1529

ANALYSIS OF SHAREHOLDINGS (CONT'D)

LIST OF TOP 30 SHAREHOLDERS AS AT 29TH MARCH 2019 (CONT'D)

No.	Name of Shareholders	No. of Shares Held	Percentage (%)
17	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH KIN LIP	4,500,000	1.0742
18	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NEW ORIENT RESOURCES SDN BHD	4,200,000	1.0026
19	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR ARSHAD BIN AYUB (MY1393)	3,817,750	0.9113
20	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR LEE KWEE HIANG (SMART)	3,600,000	0.8593
21	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SYED MOHD YUSOF BIN TUN SYED NASIR (MARGIN)	3,393,200	0.8100
22	AMANAHRAYA TRUSTEES BERHAD PB SMALLCAP GROWTH FUND	3,019,200	0.7207
23	AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND	2,764,700	0.6600
24	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR LIM CHIN HORNG (M12035)	2,326,000	0.5552
25	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAW SIEW LAN (MX2700)	2,220,000	0.5299
26	CHONG LEE FONG	2,175,000	0.5192
27	TAN AH PING	2,150,000	0.5132
28	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG CHEE MOY (7006674)	2,066,300	0.4932
29	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAN KIM HEUNG (MY1989)	2,000,000	0.4774
30	EE CHONG PANG	2,000,000	0.4774
	TOTAL	**282,255,314**	**67.38**

ANALYSIS OF **WARRANT HOLDINGS**

As at 29th March 2019

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	:	1,078

DISTRIBUTION OF WARRANT HOLDINGS AS AT 29TH MARCH 2019

Range of Shares	No. of Shareholders	Percentage (%)	No. of Shares	Percentage (%)
Less than 100	60	5.57	1,914	–
100 - 1,000	60	5.57	21,432	0.02
1,001 - 10,000	401	37.20	2,220,250	1.62
10,001 - 100,000	432	40.07	14,543,692	10.63
100,001 to less than 5% of issued warrants	122	11.32	84,165,876	61.51
5% and above of issued warrants	3	0.27	35,881,250	26.22
Total	**1,078**	**100.00**	**136,834,414**	**100.00**

DIRECTORS' INTERESTS IN WARRANTS AS AT 29TH MARCH 2019

No.	Name of Directors	Interest in Shares Direct	Deemed	* Percentage % Total
1	Tan Sri Dato' Seri Utama Arshad Bin Ayub		–	2,147,000
	1.57			
2	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	–	–	–

LIST OF TOP 30 WARRANT HOLDERS AS AT 29TH MARCH 2019

No.	Name of Shareholders	No. of Warrant Held	Percentage (%)
1	AMBANK (M) BERHAD PLEDGED SECURITIES ACCOUNT FOR CHEW HON CHOY (SMART)	13,397,500	9.7910
2	RHB NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM HUN SWEE	12,183,750	8.9040
3	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEW WENG KIT	10,300,000	7.5273
4	ALLIANCEGROUP NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM HUN SWEE (8108460)	4,916,250	3.5928
5	TAN BEE LAY	4,600,000	3.3617

ANALYSIS OF WARRANT HOLDINGS (CONT'D)

LIST OF TOP 30 WARRANT HOLDERS AS AT 29TH MARCH 2019 (CONT'D)

No.	Name of Shareholders	No. of Warrant Held	Percentage (%)
6	TEH BEE GAIK	4,116,000	3.0080
7	KANG MOONSERK	3,825,000	2.7953
8	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JAGDISHPAL SINGH A/L DARSHAN SINGH (6000095)	3,650,000	2.6675
9	RHB CAPITAL NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM HUN SWEE (CEB)	3,307,500	2.4172
10	LIFETIME LEARNING SDN.BHD.	2,953,700	2.1586
11	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JOEL CHEW JOON SOON	2,700,050	1.9732
12	SOH POH TECK	2,318,900	1.6947
13	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG KOOI HOCK	2,300,000	1.6809
14	ZALARAZ SDN BHD	2,147,000	1.5690
15	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHONG MEI KUAN	1,799,300	1.3149
16	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP LIAN KEOW (E-KPG/JJG)	1,784,500	1.3041
17	HWAN SEO CHAU	1,684,200	1.2308
18	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR NG WEI CHEN (MY2114)	1,638,251	1.1972
19	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEW WENG KIT (6000304)	1,545,000	1.1291
20	SOW KIM CHYE	1,525,000	1.1145
21	LIM HUN SWEE	1,517,500	1.1090
22	NG WAI YIP	1,500,000	1.0962
23	SIM LI WEN	1,377,000	1.0063
24	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SOW KENG KEN (E-KPG/JJG)	1,210,000	0.8843
25	YEOH CHIN CHAI	1,200,000	0.8770

ANALYSIS OF WARRANT HOLDINGS (CONT'D)

LIST OF TOP 30 WARRANT HOLDERS AS AT 29TH MARCH 2019 (CONT'D)

No.	Name of Shareholders	No. of Warrant Held	Percentage (%)
26	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TING CHOONG SING (E-KPG)	1,155,000	0.8441
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD YEOH REN BAO	1,084,100	0.7923
28	CHOO WAI KIT	1,039,200	0.7595
29	TUNG SAU KAM	974,500	0.7122
30	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD	947,500	0.6924
	TOTAL	**94,696,701**	**69.21**

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

Tomypak Holdings Berhad ("Tomypak" or "the Company") had on 2 April 2019, 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 Fourth Annual General Meeting ("24th 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 24th AGM of the Company to be convened at Pendeta I & II, Palm Resort Golf & Country Club, Jalan Persiaran Golf, Off Jalan Jumbo, 81250 Senai, Johor, Malaysia on Thursday, 16 May, 2019 at 10.00a.m., notice of which is set out on page 142 to 147 of the Annual Report of the Company.

3. DETAILS OF THE PROPOSED SHARE BUY-BACK

At the Twenty Third Annual General Meeting of the Company held on 1 June 2018, 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 1 June 2018 will expire at the conclusion of the forthcoming 24th AGM of the Company which will be held on 16 May 2019 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 29 March 2019, the share capital of Tomypak is RM108,916,308.46 comprising 419,864,670 ordinary shares ("Tomypak Shares").

The Company had purchased an aggregate of 747,000 of its own shares for the previous twelve (12) months preceding the date of this Statement and the last purchase was made on 4 March 2019. All the Tomypak Shares purchased were retained as treasury shares and the total cumulative treasury shares held as at 29 March 2019 was 939,000.

Information on the shares purchased and resold by the Company during the financial year ended 31 December 2018 is set out in page 35 of the Annual Report 2018.

As at 29 March 2019, the total number of issued shares of the Company is 419,864,670 ordinary shares. The maximum number of Tomypak 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 24th 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 2018, the Company's audited retained profit amounted to RM8.05 million. Based on the latest unaudited management accounts as at 31 March 2019, the retained profit of the Company amounted to approximately RM8.0 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

Tomypak 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 Tomypak 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 or transferred pursuant to Section 127(7), if so determined by the Board, at a price that is:-

(a) not less than the WAMP of Tomypak Shares for the past five (5) market days immediately preceding the date of the resale or transfer; or

(b) at a discount of not more than five percent (5%) to the five (5) market days WAMP of Tomypak Shares immediately prior to the resale or transfer, provided that: -

  (i) the resale or transfer take place no earlier than thirty (30) days from the date of purchase; and
  (ii) the resale or transfer price is not less than the cost of purchase of the shares being resold or transferred.

SHARE BUY-BACK STATEMENT (CONT'D)

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

5.4 Historical Share Price

The monthly highest and lowest prices of Tomypak Shares as traded on Bursa Securities for the preceding twelve (12) months from April 2018 to March 2019 are as follows:-

Month	Share Price	
	High (RM)	Low (RM)
2018		
April	0.85	0.75
May	0.85	0.75
June	0.84	0.71
July	0.82	0.76
August	0.81	0.68
September	0.74	0.66
October	0.74	0.67
November	0.70	0.67
December	0.68	0.53
2019		
January	0.73	0.56
February	0.66	0.55
March	0.57	0.48

(Soure: Investing.com)

The last transacted price of the Shares on 11 April 2019, being latest practical date prior to the printing of this Statement is RM0.47.

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 29 March 2019 is as follows:-

Description	Minimum Scenario[(1)] No. of Tomypak Shares[(2)]
Total number of issued shares as at 29 March 2019	419,864,670
Less maximum number of shares which may be purchased and cancelled pursuant to the Proposed Share Buy-Back (10%)	(41,986,467)
Resultant number of issued shares upon completion of the cancellation of the maximum number of Purchased Shares	377,878,203

SHARE BUY-BACK STATEMENT (CONT'D)

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

6.1 Share Capital (Cont'd)

The effect of the Proposed Share Buy-Back on the issued share capital of the Company as at 29 March 2019 is as follows:- (Cont'd)

Description	Minimum Scenario(3) No. of Tomypak Shares(2)
Total number of issued shares as at 29 March 2019	419,864,670
To be issued upon the completion of the following:	
(i) full exercise of warrants	136,834,425
	556,699,095
(ii) full exercise of Employees' Share Option Scheme (15% of the total number of issued shares)	83,504,864
Enlarged number of issued shares	640,203,959
Less maximum number of shares which may be purchased and cancelled pursuant to the Proposed Share Buy-Back (10%)	(64,020,395)
Resultant number of issued shares upon completion of (i) and (ii) above and cancellation of the maximum number of Purchased Shares	576,183,564

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 29 March 2019, the number of treasury shares held by the Company was 939,000.

(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.

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

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.

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 29 March 2019 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 29 March 2019[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 Utama Arshad bin Ayub	14,364,837	3.42	21,781,300[3]	5.19	14,364,837	3.80	21,781,300[3]	5.76
Lim Hun Swee	68,358,012	16.28	–	–	68,358,012	18.09	–	–
Chin Cheong Kee @ Chin Song Kee	427,087	0.10	–	–	427,087	0.11	–	–
Yong Kwet On	1,117,087	0.27	98,692,752[4]	23.51	1,117,087	0.30	98,692,752[4]	26.12
Tan See Yin	821,007	0.20	–	–	821,007	0.22	–	–
To' Puan Rozana Binti Tan Sri Redzuan	340,000	0.08	–	–	340,000	0.09	–	–
New Orient Resources Sdn. Bhd.	98,692,752	23.51	–	–	98,692,752	26.12	–	–
Zalaraz Sdn. Bhd.	21,781,300	5.19	–	–	21,781,300	5.76	–	–

Notes:-

(1) The percentage shareholding is calculated based on 419,864,670
(2) The percentage shareholding is calculated based on 377,878,203
(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.

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 29 March 2019 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 29 March 2019				Assuming full exercise of warrants and ESOS (I)[1]				After (I) 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 Utama Arshad bin Ayub	14,364,837	3.42	21,781,300[3]	5.19	14,364,837	2.24	23,928,300[3]	3.74	14,364,837	2.49	23,928,300[3]	4.15
Lim Hun Swee	68,359,012	16.28	–	–	90,283,012	14.10	–	–	90,283,012	15.67	–	–
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	98,692,752[4]	23.51	1,117,087	0.17	98,692,752[4]	15.42	1,117,087	0.19	98,692,752[4]	17.13
Tan See Yin	821,007	0.20	–	–	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.	98,692,752	23.51	–	–	98,692,752	15.42	–	–	98,692,752	17.13	–	–
Zalaraz Sdn. Bhd.	21,781,300	5.19	–	–	23,928,300	3.74	–	–	23,928,300	4.15	–	–

Notes:-

(1) The percentage shareholding is calculated based on 640,203,959
(2) The percentage shareholding is calculated based on 576,183,564
(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 29 March 2019, the public shareholding spread of the Company is approximately 50.96%. Assuming that the Company purchases up to a maximum of 41,986,467 Tomypak Shares from the public shareholders, representing approximately ten percent (10%) of the total number of issued shares as at 29 March 2019, 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 40.96 %.

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 24th 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 2018 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 24 April 2019.

PARTICULARS OF PROPERTIES

The details of the landed property of Tomypak Holdings Berhad as at 31 December 2018 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 Kulaijaya, Johor Darul Ta'zim	Industrial Land/ Industrial land and factory building	456.84/ 351.30	Freehold land	54,693	–
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	6,085	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	322	–

NOTICE OF 24TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty Fourth Annual General Meeting ("24th AGM") of the Company will be held at Pendeta I & II, Palm Resort Golf & Country Club, Jalan Persiaran Golf, Off Jalan Jumbo, 81250 Senai, Johor, Malaysia on Thursday, 16th May, 2019 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 2018 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 2018. ***(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 17th May 2019 until the next Annual General Meeting of the Company to be held in 2020. ***(Resolution 2)***

4. To re-elect Tan Sri Dato' Seri Arshad Bin Ayub who retires in accordance with the Company's Memorandum and Articles of Association. ***(Resolution 3)***

5. To re-elect Mr Lim Hun Swee who retires in accordance with the Company's Memorandum and Articles of Association. ***(Resolution 4)***

6. To re-appoint Messrs KPMG PLT as Auditors of the Company for the financial year ending 31st December 2019 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 76 of the Companies Act 2016**

   "**THAT**, subject always to the Companies Act 2016, the Memorandum and Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 76 of the Companies Act 2016, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten percent (10%) of the total issued and paid-up share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." ***(Resolution 6)***

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:

NOTICE OF 24TH ANNUAL GENERAL MEETING (CONT'D)

(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;

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 Utama Arshad Bin Ayub**

THAT Tan Sri Dato' Seri Utama 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)***

NOTICE OF 24TH ANNUAL GENERAL MEETING (CONT'D)

11. **SEPCIAL RESOLUTION**
Proposed Adoption of New Constitution of the Company

"That the Company's existing Memorandum and Articles of Association be deleted in its entirety and that the new Constitution as set out in **Annexure 1** distributed together with the Company's Annual Report 2018 be and is hereby adopted as the new Constitution of the Company.

And That the Directors of the Company be and are hereby authorised to do all such acts and things as necessary and/or expedient in order to give full effect to the Proposed Adoption of New Constitution with full power to assent to any conditions, modifications, and/or amendments as may be required by any relevant authorities to give effect to the Proposed Adoption of New Constitution." ***SPECIAL RESOLUTION***

12. To transact any other business for which due notice shall have been given in accordance with the Company's Memorandum and Articles of Association 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 Fourth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at 6th May 2019. Only a depositor whose name appears on the Record of Depositors as at 6th May 2019 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

MADAM ANG MUI KIOW (LS 0001886)
MADAM CHEN YEW TING (MAICSA 0869733)
Company Secretaries

Johor Bahru
24th April 2019

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 9D, Level 9, 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.

NOTICE OF 24TH ANNUAL GENERAL MEETING (CONT'D)

Notes (Cont'd):-

2. Form of Proxy (Cont'd)

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 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.

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 132 to 140 of the Annual Report 2018.

3.3 Retention as Independent Non-Executive Directors of the Company pursuant to the Malaysian Code on Corporate Governance:

Tan Sri Dato' Seri Utama Arshad Bin Ayub (Resolution 8)

Tan Sri Dato' Seri Utama 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 24th AGM, he has served the Company for 23 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.

NOTICE OF 24TH ANNUAL GENERAL MEETING (CONT'D)

Notes (Cont'd):-

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 24th 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.

3.5 Proposed Adoption of New Constitution (Special Resolution)

The proposed Special Resolution, if passed, will align the Company's Constitution with the Companies Act 2016 which came into force on 31 January 2017, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and prevailing laws, guidelines or requirements of the relevant authorities, to enhance administrative efficiency and provide greater clarity.

Further details relating to this proposed resolution are set out in Annexure 1 distributed together with the Company's Annual Report 2018.

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 24TH ANNUAL GENERAL MEETING (CONT'D)

APPENDIX A

1. Authority for Tan Sri Dato' Seri Utama Arshad Bin Ayub to continue in office as Independent Non-Executive Director

   Justifications

   a. Tan Sri Dato' Seri Utama 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, effectively 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 his 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. 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 his 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 FOURTH 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)	Tan Sri Dato' Seri Utama Arshad Bin Ayub	-	RESOLUTION 3
(b)	Mr Lim Hun Swee	-	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, 14,126 and 129 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 Fourth Annual General Meeting of the Company to be held at Pendeta I & II, Palm Resort Golf & Country Club, Jalan Persiaran Golf, Off Jalan Jumbo, 81250 Senai, Johor, Malaysia on Thursday, 16th May 2019 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, Tan Sri Dato' Seri Utama Arshad Bin Ayub		
Ordinary Resolution 4	Re-election of retiring Director, Mr Lim Hun Swee		
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 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 Utama 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		
Special Resolution	Proposed Adoption of New Constitution of the Company		

(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**:-

	No. of shares	Percentage
Proxy 1		
Proxy 2		
Total		**100%**

Sign this _________ day of ____________________ 2019

____
Signature/ Common Seal of Member

Notes:

1. *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.*
2. *The duly completed Form of Proxy must be deposited at the registered office of the Company situated at Suite 9D, Level 9, 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.*
3. *A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting.*
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.*
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.*
6. *If the appointor is a corporation, the Form of Proxy must be executed under its Seal or under the hand of its attorney.*
7. *Only members registered in the Record of Depositors as at 6th May 2019 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 Fourth Annual General Meeting dated 24 April 2019.

Fold this flap for sealing

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AFFIX
POSTAGE
STAMP

TOMYPAK HOLDINGS BERHAD _(Co. No: 337743-W)_

Suite 9D, Level 9
Menara Ansar
65 Jalan Trus
80000 Johor Bahru
Johor, Malaysia

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District of Kulai, Johor Darul Takzim, Malaysia

Tel: (6)07-535 2222 **Fax:** (6)07-535 2228 **Email:** sales@tomypak.com.my/investor@tomypak.com

Tampoi Plant: No.11, Jalan Tahana, Kawasan Perindustrian Tampoi
80350 Johor Bahru, Johor, Malaysia

Tel: (6)07-237 8585 **Fax:** (6)07-237 8575

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

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