TOMYPAK HOLDINGS BERHAD
Registration No. 199501008545 (337743-W)

ANNUAL REPORT 2019

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BOARD OF DIRECTORS

Chairman
Non-Independent Non-Executive Director
Mr. Yong Kwet On
(Re-designated on 1 October 2019)

Independent Non-Executive Director
Tan Sri Dato' Seri Utama Arshad Bin Ayub
(Ceased on 30 September 2019)

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

To' Puan Rozana Binti Tan Sri Redzuan

Encik Azmi Bin Arshad
(Appointed on 1 October 2019)

Executive Directors
Mr. Lim Hun Swee
Mr. Tan See Yin

AUDIT COMMITTEE

Chairman
Encik Azmi Bin Arshad
(Re-designated on 1 December 2019)

To' Puan Rozana Binti Tan Sri Redzuan
(Ceased as Chairman on 1 December 2019)

Members
To' Puan Rozana Binti Tan Sri Redzuan
(Re-designated on 1 December 2019)

Mr. Chin Cheong Kee @ Chin Song Kee

Tan Sri Dato' Seri Utama Arshad Bin Ayub
(Ceased on 30 September 2019)

REMUNERATION COMMITTEE

Chairman
Encik Azmi Bin Arshad
(Re-designated on 1 December 2019)

Tan Sri Dato' Seri Utama Arshad Bin Ayub
(Ceased on 30 September 2019)

Members
Mr. Chin Cheong Kee @ Chin Song Kee

Mr. Yong Kwet On

To' Puan Rozana Binti Tan Sri Redzuan

NOMINATION COMMITTEE

Chairman
To' Puan Rozana Binti Tan Sri Redzuan
(Re-designated on 1 December 2019)

Tan Sri Dato' Seri Arshad Bin Ayub
(Ceased on 30 September 2019)

Members
Mr. Chin Cheong Kee @ Chin Song Kee

Mr. Yong Kwet On

Encik Azmi Bin Arshad
(Appointed on 1 December 2019)

RISK MANAGEMENT COMMITTEE

Chairman
Mr. Chin Cheong Kee @ Chin Song Kee

Members
Encik Azmi Bin Arshad
(Appointed on 1 December 2019)

Mr. Lim Hun Swee
(Appointed on 1 December 2019)

Mr. Tok Fu Soon
(Corporate Finance Manager of Tomypak Flexible Packaging Sdn Bhd)
(Appointed on 20 August 2019)

Mr. Tan See Yin
(Ceased on 1 December 2019)

To' Puan Rozana Binti Tan Sri Redzuan
(Ceased on 1 December 2019)

Mr. Saw Ser Chyang
(Factory Manager of Tomypak Flexible Packaging Sdn Bhd)
(Ceased on 20 August 2019)

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

CORPORATE INFORMATION (CONT'D)

EMPLOYEES' SHARE OPTION SCHEME ("ESOS") COMMITTEE

Chairman
To' Puan Rozana Binti
Tan Sri Redzuan

Members
Mr. Lim Hun Swee

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

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

REGISTERED OFFICE

Suite 9D, Level 9, Menara Ansar
65, Jalan Trus
80000 Johor Bahru
Johor Darul Ta'zim
Tel : 07-2241035
Fax : 07-2210891

PRINCIPAL PLACE OF BUSINESS

Head Office & Main Factory:
PTD 109476
Jalan Cyber 4,
Mukim of Senai,
District of Kulai,
Johor Darul Ta'zim
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:
508, Level 5, Block A,
Kelana Centre Point,
No. 3, Jalan SS7/19.
Kelana Jaya
47301 Petaling Jaya,
Selangor, Malaysia
Tel : 07-78804233
Fax : 07-78803653

SUBSIDIARY

Tomypak Flexible Packaging
Sdn Bhd (Wholly owned)

COMPANY SECRETARIES

Madam Santhi A/P Saminathan
(MAICSA 7069706)
(Appointed on 1 December 2019)

Madam Leong Siew Foong
(MAICSA 7007572)
(Appointed on 1 December 2019)

Madam Ang Mui Kiow
(LS 0001886)
(Resigned on 1 December 2019)

Madam Chen Yew Ting
(MAICSA 0869733)
(Resigned on 1 December 2019)

SHARE REGISTRAR

Boardroom Share Registrars
Sdn Bhd .
(Registration No. 199601006647
(378993-D))
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Tel : 07-78904700
Fax : 07-78904670

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

Hong Leong Bank Berhad

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 Bursa Malaysia in 1996, Tomypak Holdings Berhad and its subsidiary Tomypak Flexible Packaging Sdn Bhd ("Tomypak Group" or "Group") has established itself as a leader in the flexible packaging marketplace. The Tomypak Group is a firm believer in innovation, ensuring quality of the highest standards. We strongly believe in adopting latest technologies and facilities to meet customers' requirements and expectations in terms of quality, which will ensure the Group's long term success and sustainability. Tomypak Group 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.

The Group's strength is derived not only from the adoption of latest technology, but from 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.

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, Computer 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 address shareholders of Tomypak Holdings Berhad ("Tomypak" or "Company") on the performance of Tomypak and its subsidiary ("Tomypak Group" or "Group") for the financial year ended 31 December 2019 ("FY 2019").

Before I present my first report to shareholders as Chairman, you all would be aware that our long serving Chairman, Tan Sri Dato' Seri Utama Arshad Bin Ayub retired from the Board after serving more than 23 years. I would like to take this opportunity to record the Board and all shareholders' sincere thanks and deep appreciation for Tan Sri's leadership during his period on the Board. And on behalf of all shareholders, I would also like to welcome Encik Azmi Bin Arshad to the Board.

MR. YONG KWET ON
Chairman, Non-Independent Non-Executive Director

THE YEAR IN REVIEW

FY 2019 has been another year where the Tomypak Group was focused on the next phase of its journey to build a sustainable platform for its future growth. The transformation program, which began in 2015 with the design and construction of a new process oriented plant layout, is nearing completion with the rationalization of the plant and machineries between the two plants in Tampoi and Senai now in the last phase. The bag making machines and another laminating line will be relocated by the end of FY 2020. The other areas of transformation encompasses equally important areas in operation, sales and marketing, human resource, corporate and sustainability, and are in their respective advanced stages of implementation.

In 2019, the major realignment carried out was the dismantling, servicing, repairing and recommissioning of another 2 printing lines and 2 laminating lines, all of which commenced commercial operation by end Q3 of FY 2019. The remaining 2 oldest printing lines and 1 laminating line will still be maintained in the Tampoi plant as back up to the Senai plant. The 10 bag making lines and another 1 laminating line are targeted to be operational in Senai towards end of FY 2020.

As such, by the end of FY 2020 almost all of the key operations will be centralized in the Senai plant which will provide the Group with more efficient operating environment. By then a total of 7 printing lines, 9 laminating lines, 17 slitters and 10 bag making machines will be operating out of the Senai plant whilst the Tampoi plant will focus on metallizing with back up facilities for printing, laminating and film casting until further realignment is undertaken. The Group will undertake further evaluation of the need for further realignment to match market requirements towards the end of FY 2020.

The Group has also applied to extend the lease of the Tampoi site which had only 15 years left on its lease as at end FY 2019. We expect to secure an extension from the Government by the end of FY 2020.

The Group also completed the review of the operational flow and standard operating procedures in the 2 plants and has fully implemented the production module under the IT transformation program. Further review and refinement of the various IT modules implemented thus far will be carried out in FY 2020 to determine the next phase of process and IT transformation.

Other areas of the transformation process undertaken such as human resources, sustainability, corporate as well as sales and marketing are all progressing well at various advanced stages of completion. In particular and in view of the substantial investments that the Group has incurred to date and given the ongoing changing landscape of the industry over the past year, a more comprehensive risk identification and development of appropriate strategies and action plans to mitigate and manage the risks identified was undertaken. More intensive and robust risk management strategies including more frequent structured review of risks mitigating strategies at operation level, has been put in place now to manage risks more effectively.

FINANCIAL PERFORMANCE

FY 2019 was another year that the Group was focused on consolidating its base for future growth. The Tomypak Group revenue for FY 2019 was marginally lower at RM158.06 million as compared to RM168.38 million achieved in FY 2018. This decrease in sales was primarily due to a reduction in sales to some local customers. However, the decrease in sales to these customers were partially mitigated by increase in sales to some existing and new international customers as a result of intensive marketing activities and product development that has begun to bear results in the later part of FY 2019. We expect to carry through these positive developments into FY 2020 and beyond and will be able to see positive effects from all the initiatives undertaken by management over the past few years.

As a result of the marginal reduction in revenue and increase in certain fixed overheads such as depreciation, continuing realignment expenses and interest expenses. the Group incurred a net loss of RM11.61 million for the year ended 31 December 2019.

Despite the loss, the Group was still able to generate a better positive Earnings Before Interest, Tax, Depreciation and Amortization ("EBITDA") of RM9.93 million as compared to RM8.13 million achieved in FY 2018.

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 RM181.31 million as compared to RM192.35 million for FY 2018. The Debt-Equity ratio of the Group is still healthy at 0.41 times despite further draw down in FY 2019 to fund remaining equipment delivered in this financial year.

Your Board recognizes that the financial performance of the Group in FY 2019 has not been up to expectations. All necessary actions have been taken to ensure that the operations and financial results will improve in the immediate future, commencing in FY2020. The various transformation programs are beginning to bear results. In particular, the strengthening of the production planning process, continuous hands-on training of more qualified skilled operation staff recruited under the HR transformation program, and additional operational controls instituted in the factory resulting from the improvements in standard operating process and implementation of a more advanced IT system, has now enabled us to stabilize raw materials consumption and wastages during production runs, thereby improving marginal contributions at operational level. More positive effects especially from the development of new products as well from the intensive sales and marketing efforts is expected from FY 2020 onwards.

More detailed discussions on the financial performance and financial position of the Group can be found on pages 16 to 20, under Management Discussion and Analysis.

DIVIDENDS

Your Board continues to place utmost importance on creating value for our shareholders. Whilst for FY 2019, your company did not announce any dividend payments, the Board is mindful of generating appropriate returns to shareholders and is working with Management to ensure that your company will soon be able to resume payment of dividends in the immediate future.

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 with the recommendations of the various authorities. An overview write-up on Corporate Governance is attached on pages 21 to 35, whilst the detailed Corporate Governance Report can be viewed on the Group website, www.tomypak.com.my.

There are a few areas that I would like to mention more about what the Group is doing to ensure that your Group is in full compliance with various regulatory and compliance matters which are important for the Group to operate effectively and responsibly.

In the area of Sustainability, your Group has now developed a clear sustainability plan for the next 6 years which the Board will be endorsing in FY 2020. This plan will not only cover the areas of managing the environment but will also encapsulate strategies and action plans to ensure that the Group will not only meet regulatory requirements but will enhance operational efficiencies as well as improve revenue performance. A more comprehensive report is presented on pages 45 to 50.

Your Board also recognizes that the 2018 Malaysian Anti-Corruption Commission (Amendment) Act ("MACC Act 2018") has been passed in Parliament and gazetted on 4 May 2018 and will be effective on 1 June 2020.

This is a very significant compliance matter that needs to be addressed systematically. In this respect, a systematic review, monitoring and enforcement policies and standard operating procedures, including an Anti-Bribery Committee, are in the final stages of development and will be ready for implementation by 1 June 2020.

One other area which I would like to highlight is the area of Risk Management. Recognizing the importance of having the necessary processes and controls in place to ensure that your Group is able to recognize risks and to have the appropriate mitigating strategies in place expeditiously, the Group undertook a comprehensive in-depth analysis on the type of risks that your Group would face in the light of substantial investments committed as well as the on-going changes in the business and industry landscape both locally and internationally in FY 2019. As part of enhancing risk management, the structure to manage risks was enhanced with the setting up of an Operational Risk Management Committee headed by the Managing Director as well as sub risk management committees at each operational departments that are required to meet more regularly than the Board Risk Management Committee. This will ensure that ultimately all employee in the Group will accept risk management as part of their daily work culture.

A more detailed report is presented under the Statement of Risk Management and Internal Controls on pages 40 to 44.

INVESTMENTS

Your Group is also constantly on the look out for potential collaboration with local and international players in the same industry as another avenue to improve performance and enhance returns for the Group.

In FY 2019, various opportunities for collaboration and/or mergers and acquisition were explored by Management. As a result of the various opportunities that were reviewed, Management signed a Conditional Shares Sale and Purchase Agreement to acquire a strategic 51% stake in a small but growing printing company based in Melaka on 11 March 2020. This acquisition will provide your Group with various opportunities including access to their customers base as the common shareholders of the new subsidiary are also involved in manufacturing of equipment for the food and beverage manufacturing companies locally and internationally. The Group will also have access to their international sales and marketing offices located in 7 countries in the Asia region. This acquisition will be completed after the appropriate due diligence exercise has been completed.

Your Board and Management will continue to explore similar type of opportunities that will enhance the utilization of the Group's expanded capacities and skill sets of our experienced staff.

1979	1980	1982	1989	1996	1998	2003
Incorporation of Tomypak	Tomypak was established in JB	Approved vendor for Nestle Malaysia	Tomypak's new factory in Tampoi	Tomypak listing on Bursa Malaysia	1st unit of Metallizing machine	Accredited with GMP and HACCP

CHAIRMAN'S REPORT (CONT'D)

CURRENT OPERATING ENVIRONMENT

The current Covid-19 pandemic has affected the general population and businesses worldwide. Malaysia and your company likewise have also been similarly affected.

Your Board is however pleased to advise that due to the stringent risk management exercise undertaken in FY 2019, your company has been able to expeditiously activate various strategic action plans to mitigate any adverse impact that may befall your company. In addition, your Board is also pleased to advise that your company has been given approval by the Ministry of International Trade and Industry ("MITI") to continue to operate during the Movement Control Order ("MCO") period and has been able to play a crucial and important role in ensuring that Malaysia and indeed many countries worldwide will continue to have access to food and beverage during this pandemic. This augurs well for the future of your company as we have been able to forge even greater alliance and collaboration with the major food and beverage companies in Malaysia and elsewhere.

APPRECIATION

I would also 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 your 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 transformation for a better future and also during the pandemic.

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

I look forward to many more years of greater achievements as the transformation program is fully rolled out in FY 2020.

Thank you and very best regards

Yong Kwet On
CHAIRMAN

May 2020

2007
Acquired 1 of the fastest printing machine in the Region

2015
•Implementation of operation transformation program
•Accredited with FSSC 22000

2016
Right Issue and ESOS

2017
Completion of Senai plant and 10 colour printing machine

2018
•9th printing line and 6th laminating line
•Commencement of second phase of operation transformation
•Acquired 8 colour Flexo printing machine and its ancillary bag making line

2019
•Implementation of plant rationalization program
•Implementation of transformation program for IT, human resource, sustainability, corporate as well as sales and marketing

PROFILE OF DIRECTORS

Yong Kwet On

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

Nationality : Malaysian
Age : 63
Date of Appointment : 18 Nov 2014

Mr. Yong Kwet On was appointed a Non-Independent Non-Executive Director of the Company on 18 November 2014. He was subsequently appointed as Chairman of the Board of Directors on 1 October 2019. He has more than 40 years' experience in the 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, his experience covers business and project deliveries in Asia such as Singapore, Thailand, Indonesia, Philippines, India as well as in Europe including the United Kingdom, Germany, Spain and Switzerland.

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

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

Mr. Yong is a member of the Nominations Committee and Remuneration Committee and Chairman of the Investment and Development Committee of the Group since 13 February 2015. Mr Yong ceased as a member of Risk Management Committee with effective from 18 May 2017.

He has no family relationship with any Directors of the Group. He is a substantial shareholders 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.

Lim Hun Swee

- *Non-Independent Executive Director*
- *Managing Director and member of the Risk Management, ESOS and Investment and Development Committees*

Nationality : Singaporean
Age : 68
Date of Appointment : 23 May 2014

Mr. Lim Hun Swee was appointed a Non-Independent 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, ESOS Committee and Risk Management Committee on 13 February 2015, 24 November 2015 and 1 December 2019 respectively.

Mr. Lim has more than 20 years of managerial experience particularly in manufacturing operations and 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 disposed 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 this 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 product developments, upgrade 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 Hun Swee has no family relationship with any Directors and/or substantial shareholders 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.

Tan See Yin

- *Executive Director*
- *Member of the Investment and Development Committee*

Nationality : Malaysian
Age : 64
Date of Appointment : 18 Nov 2014

Mr. Tan See Yin was appointed a Non-Independent 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 he 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. Mr Tan also stepped down from Risk Management Committee on 1 December 2019.

He has no family relationship with any Directors and/ or substantial shareholders 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.

Chin Cheong Kee @ Chin Song Kee

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

Nationality : Malaysian
Age : 72
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 more than 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 are involved in 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.

To' Puan Rozana Binti Tan Sri Redzuan

- *Independent Non-Executive Director*
- *Chairman of the Nomination and ESOS Committees and member of the Remuneration and Audit Committees*

Nationality : Malaysian
Age : 55
Date of Appointment : 1 Apr 2015

To' Puan Rozana Binti Tan Sri Redzuan was appointed as an Independent 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 Committee 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. To' Puan was redesignated as a member of Audit Committee and Chairman of Nomination Committee on 1 December 2019. She also stepped down from Risk Management Committee on 1 December 2019.

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 Directors and/or substantial shareholders 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.

Azmi Bin Arshad

- *Independent Non-Executive Director*
- *Chairman of the Remuneration and Audit Committees and member of the Nomination and Risk Management Committees*

Nationality : Malaysian
Age : 57
Date of Appointment : 1 Oct 2019

Encik Azmi was appointed as an Independent Non-Executive Director of the Company on 1 October 2019. He was subsequently appointed as Chairman of the Audit Committee, Chairman of the Remuneration Committee, member of the Nomination Committee and member of the Risk Management Committee on 1 December 2019.

Encik Azmi graduated with an honours degree in accountancy from the University of East Anglia, Norwich, UK in 1986. He then underwent articleship with KPMG Peat Marwick McLintock, London and completed the professional examinations of the Institute of Chartered Accountants in England & Wales (ICAEW) in 1990. He then continued his career in Malaysia with KPMG Kuala Lumpur in charge of audits of various public listed companies and advisory work.

He was head of the funds management and budget department at Malaysia Building Society Berhad, corporate finance manager at Usaha Tegas Sdn Bhd, vice president of the property and energy sector of the Sapura Group, senior general manager of finance at Crest Petroleum Berhad in 2003 and chief financial officer of SapuraCrest Petroleum Berhad until 2011, after which he was chief operating officer of Sapura Resources Berhad until 2012. He then moved on to become one of the founding members of Reach Energy Berhad in 2012, which was subsequently listed on the Main Board of Bursa Malaysia as an oil and gas special purpose acquisition company (SPAC). He was chief financial officer of Reach Energy Berhad until 2018. He also sat on the board of LBI Capital Berhad 1991 to 1996.

He has more than 30 years' experience in accounting, financial management, risk management, corporate finance, joint ventures, acquisitions, business rationalisation and corporate restructuring and has served in companies involved in financing, manufacturing, property development, property investments, broadcasting, oil and gas services and aviation.

He also presently sits on the board of trustees and is Chairman of the audit committee of Lembaga Amanah Kolej Islam Malaysia Berdaftar, on the board of governors of Universiti Islam Malaysia and on the board of Reach Energy Holdings Sdn Bhd.

Encik Azmi is the son of Tan Sri Dato' Seri Utama Arshad Bin Ayub, who is a substantial shareholder of the Company. Saved as disclosed, he does not have any family relationship with any other director and/or substantial shareholder of the Group. There is no conflict of interest in respect of his involvement with the Group and has not been convicted of any offence within the past 5 years.

KEY SENIOR MANAGEMENT

Lim Hun Swee
Managing Director

Please refer to Directors' Profile page 12.

Tan See Yin
Executive Director

Please refer to Directors' Profile page 13.

The Managing Director and Executive Director are supported by the Technical Director and General Manager or various Head of Departments such as Human Resource, Administration, Safety & Health, Sales & Marketing, Printing and Slitting, Lamination, Flexo, Bag Making, CPP and Metz, Quality Control, R&D, Planning, Facility Maintenance and Corporate & Finance.

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 2019.

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 a better appreciation and insight into the business and operations of the Tompak Group as well as to enlighten shareholders on our performance for FY 2019 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 a single operating wholly owned subsidiary, Tomypak Flexible Packaging Sdn Bhd ("TFPSB") after the 70% subsidiary, Tomypak Flexible Packaging (S) Pte Ltd. ("TFSPL") was voluntarily struck off from the Register of Accounting and Corporate Regulatory Authority, Singapore ("ACRA") on 19 November 2019.

For FY 2019, TFPSB was the main contributor to the business of the Tomypak Group.

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) ***Metallised***, 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 2019, the Tomypak Group operates out of two separate but complementary factories, a larger plant and head office on its 10.5 acres freehold land in Senai Industrial Estate and also at its existing 4 acres leasehold land located in the Tampoi Light Industrial Estate. Total rated capacity as at end FY 2019 was 40,000 metric tonnes per annum.

The plant and equipment as of 31.12.2019 consists of:

Senai

1) 6 multi coloured rotogravure printing lines of various capacities;
2) 1 eight coloured flexo printing line;
3) 8 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.

Tampoi

1) 2 multi coloured rotogravure printing lines of various capacities;
2) 2 laminating lines, both wet laminating lines;
3) 3 metallizing plants;
4) 10 bags making machines,
5) 1 film casting machine; and
6) 1 slitter machine.

The relocating of another laminating line and 10 bags making machines from Tampoi plant to Senai plant will commence in third quarter of FY 2020 and will be completed by fourth quarter of FY 2020 in accordance to the Group's rationalization plan of the production equipment in the two factories. The remaining 2 oldest printing lines and 1 laminating line will still be maintained in the Tampoi plant as back up.

Both plants provide the Tomypak Group with a total of 478,000 sq ft 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 consists 399 staff, of which 290 are in direct operations, with 220 based in Senai and 70 based in Tampoi.

FINANCIAL REVIEW- FY2019 VS FY2018

This section presents a more detailed analysis of the financial performance of the Tomypak Group for FY 2019 as compared to FY 2018. Summarised below are the key financial information for the Group over the past 2 years.

Year Ended 31 December	2019	2018
Results (RM'000)		
Revenue	158,061	168,382
Loss from operations	(8,246)	(8,918)
Loss before taxation	(11,597)	(11,650)
Net loss for the financial year	(11,609)	(1,870)
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	9,933	8,134
Statement of financial position (RM'000)		
Shareholders' equity	181,313	192,352
Total borrowings	73,556	78,206
Total assets	275,870	293,419
Ratio		
Earnings per share (sen)	(2.77)	(0.44)
Interest cover (times)	(2.46)	(3.26)
Return on equity	(6.40%)	(0.97%)
Return on total assets	(2.99%)	(3.04%)
Gearing	0.41	0.41
Net assets per share (RM)	0.43	0.46

REVENUE

Group revenue for FY 2019 was RM158.061 million as compared to RM168.382 million achieved in FY 2018. The decrease in sales was primarily due to a reduction in sales to some local customers. However, the decrease of sales to these customers were partially mitigated by increase in sales to some existing and new international customers.

Almost all of Tomypak Group customers are from the food and beverage industry, both multinational and local. More than half of revenue in FY2019 was derived from export sales to a number of multinational companies. Export sales in FY 2019 accounted for 55.5% or RM87.72 million as compared to 39.9% or RM67.19 million in FY 2018.

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 Senai plant. Countries where Tomypak Group products are exported to include Singapore, Thailand, Indonesia, the Philippines, Vietnam, Myanmar, Sri Lanka, Russia, Ukraine, Australia, New Zealand, Papua New Guinea, Brazil, Nigeria, Peru, and South Africa. 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 meet clients' key criterion of consistent quality, timely delivery and competitive commercial terms.

LOSS FROM OPERATIONS

Whilst sales were down compared to the previous financial year, the Tomypak Group recorded a marginally lower loss for FY 2019 at RM8.25 million compared to RM8.92 million in FY 2018. These are after accounting for costs of production, sales and marketing expenses and general administrative expenses.

The decrease in the loss from operations in FY 2019 as compared to FY 2018 was due primarily to the following reasons:

i) There were higher contribution margins from operations as a result of marked improvements in production operations. This was primarily the direct result of the transformation program implemented in FY 2018 through to FY 2019.

ii) There was also a foreign exchange gain in FY 2019 as compared to foreign exchange loss in FY 2018 due to stronger RM against the USD. Net foreign exchange gain in FY 2019 was RM1.64 million as compared to net foreign exchange loss of RM0.99 million in FY 2018.

However, the improvements were negated by the slight increase in factory overheads as well as the following increase in costs which resulted in the loss for FY 2019:

i) An increase in depreciation costs of additional RM1.13 million as all new equipment were commissioned into operation during the year, were operating at lower end of their rate capacity

ii) There was also higher financial expenses of additional RM0.61 million in FY 2019 compared to FY 2018 arising from drawdown of loans to finance the purchase of new production equipment and working capital in the second half of FY 2018; and

iii) Higher sales and marketing expenses arising from cost incurred for additional sales personnel and more intensive and aggressive sales and marketing activities especially overseas.

LOSS BEFORE TAX

As a consequence of the operational loss suffered due to the reasons specified above, the Group incurred a Loss Before Tax ("LBT") of RM11.60 million. This was marginally lower than the loss of RM11.65 million in FY 2018.

NET LOSS AFTER TAX

The net loss after tax ("LAT") in FY 2019 was higher than FY 2018 as there were substantial deferred tax income recognised in FY 2018 arising from the reinvestment tax allowances approved by MIDA.

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION

The earnings before interest, tax, depreciation and amortization ("EBITDA") of Tomypak Group has remained relatively strong over the past few years. For the FY 2019, EBITDA was RM9.93 million while in FY 2018, it was lower at RM8.13 million. This increase is principally due to a higher operational profitability.

SHAREHOLDERS' EQUITY

The Shareholders' Equity of Tomypak Group decreased from RM192.35 million as at the end of FY 2018 to RM181.31 million as at the end of FY 2019. The decrease was a result of lower operational profitability in the year.

GEARING

Total short term and long term borrowings decreased from RM78.21 million as at the end of FY 2018 to RM73.56 million as at the end of FY 2019.

This decrease was primarily due to RM16.05 million in term loan repayment in FY 2019. There was however an increase of RM11.40 million of Trust Receipts and Revolving Credit utilised and still outstanding as at year end 2019, to fund purchase of raw materials and business operations. All of the term loans are denominated either in Singapore Dollar ("S$") or USD as the interest rates for such loans are significantly lower than for RM loans, while the foreign exchange risk is mitigated by approximately 55.5% of revenue being dominated in USD and S$.

The Tomypak Group still has a very low debt equity ratio of only 0.41 times as at end of FY 2019 comparable to FY 2018.

Total cash and cash equivalent was RM9.56 million as at end FY 2019 as compared to RM7.06 million as at year end FY 2018. The higher cash and cash equivalent as at year end FY 2019 was due to tax refunds from Inland Revenue Board ("IRB"), which was partially utilised for daily operational requirements.

Tomypak Group continues to generate positive cash flow from operations. For FY 2019, there was a total of RM16.28 million net cash generated from operating activities as compared to RM23.07 million in FY 2018. Substantially lower net cash generated from operating activities in FY 2019 was due to lower revenue in the year.

TOTAL ASSETS

Decrease in total assets from RM293.42 million to RM275.87 million is primarily due to normal depreciation expenses of RM17.92 million during the year. In addition, there were also decreases in inventories, trade and other receivables, a direct result from more efficient operational control.

CAPITAL MANAGEMENT AND RETURN TO SHAREHOLDERS

Year Ended 31 December	**2019 RM ('000)**	**2018 RM ('000)**
Dividend declared and paid	–	1,258

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.

As the Group incurred a loss for FY2019, no dividends were declared for this financial year.

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. The Group will continue to undertake various strategies and action plans to improve its market share in both the local and international markets.

The Group expects that there will be higher demand for packed food and beverage with the ever changing lifestyles permeating in this part of the world. And with the recent outbreak of Covid-19, we anticipate that there will be even higher demand for processed and packed food and beverages in the immediate future. 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 2019, the rationalization of the two factories is almost fully completed with only the 10 bag making lines, 3 metallizers and 1 old CPP line still operational at the Tampoi Plant and 2 old printing lines mothballed for back up purposes.

The relocation of the 10 bag making machines from Tampoi to Senai plant will commence in third quarter 2020 and will be completed by end of fourth quarter FY 2020.

In the immediate future, the Senai plant will focus on Printing, Laminating, Slitting, Bag Making (when the 10 lines are relocated from Tampoi) and Film Casting process while Tampoi plant will be focusing on Metalizing process, and the remaining 2 oldest printing lines and 1 laminating line will still be maintained in the Tampoi plant as back up. The rationalization plan carried out will achieve cost and operational efficiency after the completion.

The implementation of the various transformation programs had resulted in positive effects in FY 2019 with lower production overheads and higher contribution margins. This operational efficiency is expected to be further enhanced which will result in improved operational performance in FY 2020.

Meanwhile, the Group will continue to intensify sales and marketing efforts to secure more customers, complemented by the continuous development of new products to improve our competitive advantage.

With all the above activities, Management expects that the performance of Tomypak Group will continue to improve in the immediate future.

Senai Plant

Tampoi Plant

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of Tomypak is pleased to present this overview statement to provide shareholders with an appreciation of the various aspects of corporate governance ("CG") practices that the Group has undertaken during the FY 2019.

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.

In preparing this Statement, the Board has considered the manner in which it has applied the Principles and Pratices of the Malaysian Code of Corporate Govenance 2017 ("CG Code"). The Group has applied most of the Practices set out in the CG Code for the whole financial year 2019. The CG Report is available at the Company's website www.tompak.com.my and Bursa Malaysia Securities Berhad ("Bursa Malaysia") website.

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 ensure 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 pages 31 to 32) to assist the Board in developing and managing the implementation of strategies and action plans to expand the activities of Tomypak Group.

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 provides 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 Non-independent Non-Executive Chairman is responsible to lead the Board in instilling good corporate governance practices, leadership and effectiveness of the Board. The Chairman is responsible for overseeing the proper functioning of the Board with the good corporate governance practices and procedures. The Chairman encourages constructive relations between Board members and ensures open, healthy and effective debates are held by allowing sufficient time to be given on the deliberation of issue.

To ensure 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.

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 2019, the Board has convened four (4) meetings. The following activities were undertaken by the Board in FY 2019:

(i) Approved the quarterly results for the financial year ended 31 December 2019 and the audited financial statements for the financial year ended 31 December 2018;

(ii) Reviewed the 6 years strategic corporate plans for the Group, reviewed and approved the Group's annual budget and major capital commitments;

(iii) Identified principal risks and ensured the implementation of a proper risk management and internal control system;

(iv) Received briefings and approved the recommendations from the various Board Committees;

(v) Reviewed and oversaw the continuing implementation of the Employee Share Options Scheme; and

(vi) Reviewed and approved the proposed acquisition of 51% equity interest in SP Plastic & Packaging Sdn Bhd.

Board Composition

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

The Board in FY 2019 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 experiences 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 14 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 as at the end of FY 2019 will be maintained for FY 2020, save except for the replacement of one of the Independent Director who has advised that after serving 12 years, he has deemed it appropriate that he steps down and hence will not seek re-election at this forthcoming Annual General Meeting.

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Nomination Committee

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

The Nomination Committee comprised the following members during the year:

Chairman

To' Puan Rozana Binti Tan Sri Redzuan	(Independent Non-Executive Director) *(Re-designated on 1 December 2019)*
Tan Sri Dato' Seri Utama Arshad Bin Ayub	(Independent Non-Executive Director) *(Ceased on 30 September 2019)*

Members

Mr. Chin Cheong Kee @ Chin Song Kee	(Independent Non-Executive Director)
Mr. Yong Kwet On	(Non-Independent Non-Executive Director)
Encik Azmi Bin Arshad	(Independent Non-Executive Director) *(Appointed on 1 December 2019)*

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

Clause 103 of the Companies Constitution expressly states that at the Annual General Meeting ("AGM") in every subsequent year, one-third of the Directors for the time being or, if their number is not three or a multiple of three, then, the number nearest to one-third shall retire from office and be eligible for re-election. Whereas Clause 110 of the Companies Constitution provides that any Director so appointed either to fill a casual vacancy or as an addition to the existing Directors shall hold office only until the next following AGM and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.

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;

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Nomination Committee (Cont'd)

(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 fourth (4) meetings during the financial year ended 31 December 2019.

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 directors;

(iii) discussed the resignation of one of the directors from the company's board;

(iv) reviewed and recommended appointment of one independent director to the company's board; and

(v) assessed the performance of the Managing Director and Executive Director for the duration of FY 2019.

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

Encik Azmi Bin Arshad	(Independent Non-Executive Director) *(Appointed on 1 December 2019)*
Tan Sri Dato' Seri Utama Arshad Bin Ayub	(Independent Non-Executive Director) *(Ceased on 30 September 2019)*

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 only consists of non-executive directors and majority of them are independent 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.

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Remuneration

The remuneration of the Directors is set 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.

Details of Directors' remuneration for the financial year ended 31 December 2019 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	–	3.0	90.0	–	–	–	93.0
Mr. Chin Cheong Kee@ Chin Song Kee	–	3.0	95.0	–	–	–	98.0
To' Puan Rozana Binti Tan Sri Redzuan	–	3.0	95.0	–	–	–	98.0
Mr. Yong Kwet On	–	3.2	101.3	–	–	–	104.5
Encik Azmi Bin Arshad	–	0.8	23.7	–	–	–	24.5
Executive Directors							
Mr. Lim Hun Swee	540.0	–	–	145.4	–	64.2	749.6
Mr. Tan See Yin	360.0	–	–	97.7	–	16.6	474.3

The number of Directors whose remuneration falls into each successive band of RM50,000.00 for the financial year ended 31 December 2019 are set out below:

Range of Remuneration	Executive Directors	Non-Executive Directors
RM0 to RM50,000	NIL	1
RM50,001 to RM100,000	NIL	3
RM100,001 to RM150,000	NIL	1
RM450,000 to RM550,000	1	NIL
RM750,000 to RM800,000	1	NIL
	2	5

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 give 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 2019 is as detailed below:

Director	Board	AC	RC	NC	RMC	IDC	ESOS
Non-Independent Non-Executive Director							
Yong Kwet On	4/4		2/2	4/4		3/3	
Independent Non-Executive Director							
Tan Sri Dato Seri Utama Arshad Bin Ayub	3/3	3/3	1/1	3/3			
Chin Cheong Kee @ Chin Song Kee	4/4	4/4	2/2	4/4	3/3	3/3	
To' Puan Rozana Binti Tan Sri Redzuan	4/4	4/4	2/2	4/4	3/3		1/1
Encik Azmi Bin Arshad	1/1	1/1					
Executive Directors							
Lim Hun Swee	4/4					3/3	1/1
Tan See Yin	4/4				3/3	3/3	

Board/ Board Committee Chairman   Member

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

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.

Anti-Bribery Management System ("ABMS")

The Board recognizes that the 2018 Malaysian Anti-Corruption Commission (Amendment) Act ("MACC Act 2018") has been passed in Parliament and gazetted on 4 May 2018 and will be effective on 1 June 2020. The main thrust of this Act is to introduce a new far reaching corporate liability provision into the existing MACC Act 2009. The amendment introduce a new Section 17A, which provides that "a commercial organization commits an offence if any person associated with the commercial organization commits a corrupt act in order to obtain or retain business or advantage for the commercial organization".

Reference made to the abovementioned, the Group had appointed external consultant to work with management to review and modify the policies and procedures on gifts; entertainment; hospitality & travel; and charitable donations sponsorships. A systematic review, monitoring and enforcement policies and standard operating procedures will be available for Finance department and Senior Management for compliance monitoring. Subsequently, an Anti-Bribery Committee will be formed and serves as a platform to facilitate the training and communication of ABMS policies and procedures to all the new joiners and company staff every year. The Board will ensure adequate policies and procedures will be in place accorded to the moratorium period which is before Section 17A takes effect on 1 June 2020.

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.

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Strategies for Sustainability (Cont'd)

Going forward, the Board has taken cognizance of the importance of Environmental and Social Governance ("ESG") issues, more so as the Tomypak Group implemented its expansion programs over the past 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 2019 and that a comprehensive ESG program has been developed as an important component of the overall strategic plan. This is also critical 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 2019 are furnished in the Corporate Social Responsibility Statement on pages 45 to 50 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.

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

Board Charter (Cont'd)

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 takes cognizance that as the Group expands its business operations over the past few years, the risk profile of the Group has changed 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 2020, increase the number of times the RMC (and/or the RMC nominated sub committees) 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. All other members of the AC are either members of Malaysian Institute of Accountants ("MIA") or are financially literate.

The composition, terms of reference and activities of the AC are set on pages 36 to 39 of this Annual Report.

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. In addition for FY 2019, the external auditors also provided professional services in connection with the quarterly announcements for Q2, Q3, Q4 2019 and Q1 2020 pursuant to a directive issued by Bursa Malaysia Securities Berhad on 27 May 2019, as well as to provide comfort to the AC and the Board that the financial information so presented and announced are reasonably accurate.

EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

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 2019 comprised the following members:

Chairman

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

Members

Mr. Lim Hun Swee	(Executive Director) *(Appointed on 1 December 2019)*
Encik Azmi Bin Arshad	(Non-Independent Non-Executive Director) *(Appointed on 1 December 2019)*
Mr. Tok Fu Soon	(Corporate Finance Manager of Tomypak Flexible Packaging Sdn.Bhd.) *(Appointed on 20 August 2019)*
To' Puan Rozana Binti Tan Sri Redzuan	(Independent Non-Executive Director) *(Ceased on 1 December 2019)*
Mr. Tan See Yin	(Executive Director) *(Ceased on 1 December 2019)*
Mr. Saw Ser Chyang	(Factory Manager of Tomypak Flexible Packaging Sdn. Bhd.) *(Ceased on 20 August 2019)*

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;

(vi) review reports from the 5 major departments of the Tomypak Group namely Corporate and Finance, Human Resource and Administration, Operation, 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.

EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

Risk Management Committee (Cont'd)

During the year under review, three (3) meetings were held by the Risk Management Committee to review and update the Risk Assessment Report, Detail 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 pages 40 to 44 of this Annual Report provides an overview of the state of risk management and internal control within the Group.

Investment and Development Committee

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

Key role of the IDC in FY 2019 was the continuing task of carrying out detailed review and analyses, 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 and whether the above has been achieved. The IDC after careful deliberations will then make the final recommendations to the Board of Directors for approval. The role of this IDC was subsequently 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)

The Investment and Development Committee met on three (3) occasions during the financial year ended 31 December 2019. The following activities were undertaken by the Investment and Development Committee during the financial year under review:-

(i) 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;

(ii) 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;

(iii) 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;

(iv) reviewed all relevant quotation for supply of manpower, equipment, etc. in relation to the Group's proposed expansion plan;

(v) reviewed whether the Group had achieved the initial targets set out for the expansion and where appropriate to discuss with management appropriate strategies and action plans to make up for the shortfall;

EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

Investment and Development Committee (Cont'd)

(vi) reviewed potential mergers and acquisition candidates put forth by Management for consideration and to brief the Board;

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

(viii) reviewed 6 years strategic planning and action plans on sales & marketing, financial & corporate, production, human resources and corporate social responsibilities to achieve approved business target.

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 their recommendations of areas in control procedures that required improvements. Follow-up audit was carried out to review implementation of management action plans of the observations highlighted in Internal Audit Reports.

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

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKE-HOLDERS

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, regulatory authorities and other stakeholders. 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 116 of this Annual Report.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKE-HOLDERS

Strengthen Relationship between Company and Shareholders Through Effective Communications

The Company understands and values 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.

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 Company's Constitution.

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.

Timely and High Quality Disclosure

The Board observes the Corporate Disclosure Policy issued by the Bursa Malaysia Securities Berhad which can be viewed from Bursa Malaysia Securities Berhad's 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 Malaysia Securities Berhad.

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
Mr. Yong Kwet On	• Understanding Financial Reporting and Implication of Inaccurate & Delay in Reporting • Workshop on Risk Management – Principles and Applications • CG: Session on Corporate Governance and Anti-Corruption • CG: Cyber Security in the Boardroom
Mr. Lim Hun Swee	• Understanding Financial Reporting and Implication of Inaccurate & Delay in Reporting • Workshop on Risk Management – Principles and Applications
Mr. Tan See Yin	• Understanding Financial Reporting and Implication of Inaccurate & Delay in Reporting • Workshop on Risk Management – Principles and Applications • CG: Session on Corporate Governance and Anti-Corruption
Mr. Chin Cheong Kee @ Chin Song Kee	• Understanding Financial Reporting and Implication of Inaccurate & Delay in Reporting • Workshop on Risk Management – Principles and Applications
To' Puan Rozana Binti Tan Sri Redzuan	• Understanding Financial Reporting and Implication of Inaccurate & Delay in Reporting • Workshop on Risk Management – Principles and Applications • Latest Amendment, Roles and Responsibilities of Directors, Board and Board Committees, Common Breaches to the Listing Requirement and The Malaysian Code On Corporate Governance
Encik Azmi Bin Arshad	• Understanding Financial Reporting and Implication of Inaccurate & Delay in Reporting • Workshop on Risk Management – Principles and Applications • Mandatory Accreditation Programme ("MAP")

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.

Utilisation of Proceeds

No proceeds were raised by the Company from any corporate proposal during the year.

OTHER COMPLIANCE INFORMATION (CONT'D)

Audit Fess

The amount of audit fees paid to external auditors by the Group for the financial year ended 31 December 2019 amounted to RM150,000.

Non-Audit Fees

The amount of non-audit fees paid to external auditors by the Group for the financial year ended 31 December 2019 amounted to RM95,000.

Share Buy-Back

The details of shares repurchased during the financial year ended 31 December 2019 are as follows:-

Month	Number of shares repurchased/(sold)	Average price RM	Total consideration paid/(received) RM
March	40,000	0.53	21,000.00
December	788,300	0.50	394,050.00

As at 31 December 2019, there were no treasury share resold.

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 2019, since the commencement are as follows:

	Number of options ('000)		
	Directors	Employees	Total
Total options granted	3,833	25,554	29,387
Total options exercised/lapsed	3,833	9,899	13,732
Total options outstanding as at 31 December 2019	–	15,655	15,655

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.

2020 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 2020 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 2019.

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 2019 are as follows:

Chairman

Encik Azmi Bin Arshad	(Independent Non-Executive Director) *(Re-designated on 1 December 2019)*
To' Puan Rozana Binti Tan Sri Redzuan	(Independent Non-Executive Director) *(Ceased as Chairman on 1 December 2019)*

Members

Mr. Chin Cheong Kee @ Chin Song Kee	(Independent Non-Executive Director)
To' Puan Rozana Binti Tan Sri Redzuan	(Independent Non-Executive Director) *(Re-designated on 1 December 2019)*
Tan Sri Dato' Seri Utama Arshad Bin Ayub	(Independent Non-Executive Director) *(Ceased on 30 September 2019)*

The Audit Committee only consists of three (3) independent non-executive directors and two members are member of the Malaysian Institute of Accountants ("MIA"). The Chairman is an Independent Director who is also a Member of the Institute of Chartered Accountants In England & Wales ("ICAEW"). Please refer to the Directors Profile for further details of the members.

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) with the external auditors, the quarterly result;

v) the assistance given by the Company's employees to the external auditors; and

TERMS OF REFERENCE (CONT'D)

2. Functions (Cont'd)

vi) 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.

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 actions are 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.

TERMS OF REFERENCE (CONT'D)

3. Meetings (Cont'd)

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

A quorum shall consist of a majority of independent directors.

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

The Audit Committee held a total of four (4) meetings during the financial year ended 31 December 2019. The detail attendances of the Audit Committee members are as follows:

Meetings Attended (out of 4)		
To' Puan Rozana Binti Tan Sri Redzuan (Chairman)	Independent Non-Executive Director	4/4
Mr. Chin Cheong Kee @ Chin Song Kee	Independent Non-Executive Director	4/4
Encik Azmi Bin Arshad	Independent Non-Executive Director	1/1
Tan Sri Dato' Seri Arshad Bin Ayub	Independent Non-Executive Director	3/3

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

ACTIVITIES OF THE AUDIT COMMITTEE

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

(i) reviewed the quarterly unaudited financial results and announcements of the Group prior to recommending them to the Board of Directors for approval;

(ii) reviewed the year end audited financial statements of the Group prior to recommending them to the Board of Directors for approval. The review was to ensure that the audited financial statements was in compliance with the provisions of the Companies Act, 2016 and the applicable accounting standards approved by the Malaysian Accounting Standard Board;

(iii) discussed the resignation of the previous Internal Auditors, reviewed and recommended for approval the new firm to be appointed as the Group's Internal Auditors 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 Securities Berhad and other relevant legal and regulatory requirements.

INTERNAL AUDIT FUNCTION

The Group does not have any internal audit department. Instead the Tomypak Group has engaged an external professional firm as its internal auditors to develop a sound system of internal control and an ongoing process for identifying, evaluating and managing significant risks that may be faced by the Group. This professional firm has performed the functions of the internal audit of the Group on a periodic basis for the financial year ended 31 December 2019 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, three (3) 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) production planning (customer order received, production requisition, material planning and production machine planning);

(ii) quality control and quality assurance (control environment, monitoring and effectiveness of internal control, performance management and record keeping); and

(iii) production process – quantity management (control environment, control activities on monitoring of material consumption, sourcing, ordering and vendor management).

The amount of internal audit fees paid to internal auditors by the Group for the financial year ended 31 December 2019 amounted to RM40,500.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("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 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 procedure 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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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.

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 ("collectively known as The Management") in carrying out the main operating functions of the Tomypak Group in line with 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. 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 RISK MANAGEMENT FRAMEWORK (CONT'D)

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 pages 29 to 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 were held in FY 2019 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, an Operational Risk Management Committee ("ORMC") has been formed and is led by Managing Director, assisted by the Risk Officer and the department heads.

Key Risks Matters

The key area identified for improvement last year was the need for continuous monitoring of the compliance with a particular financial covenant with one of the financial institution for loans secured. The management has carried out monthly review of the compliance with debt covenants and through continuous engagement and discussion with the said financial institution, the Group has been granted a waiver on the non-compliance with the particular financial covenant until 31 December 2021. To be clear, the Group has not defaulted in any of interest payments and principal repayments to any of the Group bankers.

In addition, as the Group had substantially completed the transformation, in particular the physical transformation, the Group undertook a comprehensive in-depth analyses on the type of risks that the Group would face due to the material changes in the business environment locally and internationally as well as taking into consideration the substantial investments committed. In addition, the industry landscape had undergone major transformation with the recent merger and acquisition activities in the country as well as in the global arena with large and financially stronger competitors making inroads into our traditional market.

Reference made to the abovementioned, the Group had appointed external consultant to work with the management team to carry out a major exercise to review, identify and detail all the risks, and develop appropriate strategies, tactics and action plans required to mitigate, eliminate or manage the possible risks within acceptable risk profile to ensure the Group policies and business objectives are achieved.

THE RISK MANAGEMENT FRAMEWORK (CONT'D)

Key Risks Matters (Cont'd)

Key risks profile was identified from four major categories: strategic, financial, operational and compliance. Resulting from this comprehensive exercise, an updated risk profile was developed and appropriate mitigating action plans were developed to manage each of the risks identified. This was then presented to the Board's Risk Management Committee ("BRMC") which approved the recommendations for implementation. A cascading exercise was then undertaken whereby each department in the company had now a team to constantly review and update the Risk Register and discuss these at the ORMC. The ultimate objective is to ensure all employees accept risk management as part of their daily work culture.

Each department is required to hold their regular meetings to continuously monitor risks already identified, determine whether any new risks have surfaced and develop as well as monitor implementation strategies to mitigate the risks identified. The ORMC will then hold its meeting on a quarterly basis to receive the updated operational risk register from each department. Updated operational risk register will be discussed and resolved during the quarterly meeting and the summarised report reviewed by ORMC will then be presented to BRMC. Management personnel from Operation, Sales and Marketing, Finance and other relevant departments are 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 FY 2019, particular attention was also placed on the operational issues at 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.

INVESTMENT AND DEVELOPMENT COMMITTEE

In addition to the Risk Management Committee, the Board, in recognizing the substantive risks associated with the expansion plans that the Tomypak Group had undertaken 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 an independent director, the executive directors and management team.

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.

During the year under review, three (3) Investment and Development Committee meetings were held to review, analyze and propose where appropriate and feasible to implement, recommend these investments and/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 ensure that appropriate operational strategies including marketing and sales strategies, financial strategies and human resource strategies are in place. A comprehensive strategic plan encompassing information on the Group's performance indicators, business, operational, sales and marketing, financial, human resource and sustainability strategies were presented to the Investment and Development Committee for review and discussed to ensure that the Group's objectives are met.

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 2019 was outsourced to an external consultant, NGL Tricor Governance Sdn Bhd, 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 ORMC 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 areas have been identified for further improvements as a result of the audits conducted during FY 2019 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 these areas identified 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 Malaysia Securities Berhad.

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.

In fact, the Tomypak Group has proceeded to incorporate 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;

INTERNAL AUDIT FUNCTION (CONT'D)

- 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.

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 2019, 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 customers, 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 position within our organization structure to manage our sustainability issues and is in the process of supplementing our dedicated team with additional resources and they 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 STRATEGIES

Our sustainability strategy is developed and directed by the senior management of the Group based on guidelines provided by the Board. A comprehensive program was drawn up in FY2019 and will be presented to the Board of Directors for their final inputs as well as approval in FY2020 and this program will be reviewed and updated on a continuing basis. An Environmental and Safety Committee ("ESC") led by the Managing Director and assisted by Safety and Health Engineer has been formed to facilitate the implementation of the Group's sustainability strategy. The ESC is tasked and has at end of FY2019 developed 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 Sustainability issues will become one of the standard agenda item for discussion at future Board of Directors meetings.

For the Tomypak Group, a 6 years sustainability strategy was developed addressing three (3) different levels of sustainability maturity for the organization to achieve over these coming years. The three (3) different levels of sustainability are Value Protection, Value Efficiency and Value Creation as follows:

- **Value Protection** : To introduce sustainability plans with a view to reduce and control operational costs and risks, reduce reputation risks, and preserve and comply with regulatory and compliance risks;
- **Value Efficiency** : To implement action plans that will achieve operational cost savings, supply chain cost savings and implementation of appropriate reporting system;
- **Value Creation** : To enhance product innovation, increase market share and brand enhancement.

STRUCTURE TO ACHIEVE STRATEGIES (CONT'D)

The Group has set a target to achieve the abovementioned sustainability maturity level gradually with the phased implementation of 2-2-2. Whilst this is the overall strategies, some of the other strategies in the subsequent phases have already been undertaken as well. The Group is currently in the Value Protection phase and moving forward to Value Efficiency and Value Creation stage, with a 2 years period for each phase mentioned. As an example, the Group has already commenced developing innovative products not only to achieve cost savings but also to provide the company with innovative solutions that will not only enlarge its market share but will enhance its competitive advantage in the market place. Meanwhile, the Group will continue to comply with the rules and regulations and monitoring of key environment issues by reducing, reusing and recycling wastage produce from business operation.

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 throughout the period in FY2019:

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.

(I) 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 FY 2019, more comprehensive and intensive internal in house and external training related to compliance, regulatory and safety and health 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.

MATERIAL ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS ("ESG") (CONT'D)

(I) EMPLOYMENT (CONT'D)

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 various ongoing safety and health programs for all level of employees to improve and enhance awareness amongst staff. Particularly during these difficult Covid-19 pandemic times, additional steps have been taken. These includes requiring all employees and visitors to undergo temperature screening before entering Tomypak premises, sanitizers are placed in strategic locations throughout the premises, employees with fever or are unwell are required to seek medical advise from panel clinic immediately and work from home been practiced for administrative staff. The Group has undertaken all the necessary actions to insure that our employees are all safe.

The Tomypak Group, through the deployment of a Safety and Health Engineer, seeks to promote continued improvement on the standards of the safety and health, and full compliance with statutory requirement, codes, guidelines and standards for occupational safety and health. The Safety and Health Engineer 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.

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 23 other training courses were provided to our employees, ranging from essential training in forklift safety to team building to occupation first aid and CPR skills and radiation safety and 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, and as such our new Senai plant has also secured the certification.

MATERIAL ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS ("ESG") (CONT'D)

(I) EMPLOYMENT (CONT'D)

Employee Share Option Scheme ("ESOS")

The ESOS which was approved by shareholders in FY 2016 continued to be implemented in FY 2019. This ESOS provide our employees an opportunity to have equity participation in the Group. This scheme is an integral plan to retain and incentivise our current employees and allows our employees to have a sense of "ownership" and participation in the financial performance of the Group. In FY 2019, a total of 7,194,300 shares was granted to all eligible employees. As at end of FY 2019, the total ESOS granted to all directors and staff was 29,387,778 shares.

(II) ENVIRONMENT

The Tomypak Group's business invariably involves materials such as plastic films, aluminum foils and liquid discharges such as used glue, 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 2019 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 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 2019 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/recyclers. 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;
- Factory chimneys were installed with carbon filters to reduce Volatile Organic Compounds (VOCs) before waste gas stream emissions 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;
- Different types of contingencies implemented within the factory to prevent/minimise chemical spillage within the factory surroundings;

MATERIAL ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS ("ESG") (CONT'D)

(II) ENVIRONMENT (CONT'D)

- The re-use of materials within our production processes such as the reuse of waste solvents, reuse of paper spools etc;
- Source material only from environment friendly vendor or supplier;
- Segregate recyclable material and appoint licensed contractor for collection, strictly adhering to schedule waste according to Environmental Quality (Schedule Waste) Regulations 2005; and
- Intensify product innovation with recyclable packaging product, developed mono material recyclable structures, biobased materials, thinner lamination layer and composting materials. All of which will lead to lower plastics used as well as lower cost for our customers.

(III) 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 2019, a total of 12 interns were provided the opportunity to be attached to the Group. A comprehensive 3 months program which allows these interns the opportunities to be exposed and learn throughout the entire value chain of the Group's production process, was developed and they were rotated through various area of operations to give them the necessary exposure.

To continuously enhance this internship program in FY 2019, the Group signed a strategic collaboration with Politeknik Tun Syed Nasir, 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 and organisations. 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.

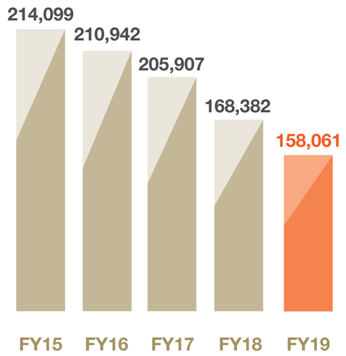

TOMYPAK FLEXIBLE PACKAGING

FIVE YEARS' FINANCIAL HIGHLIGHTS AND FINANCIAL INDICATORS

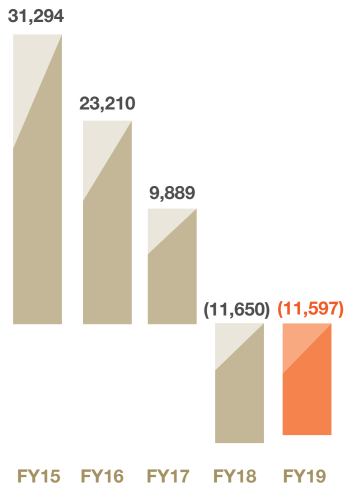
Year Ended 31 December	2015	2016	2017	2018	2019
Results (RM'000)					
Revenue	214,099	210,942	205,907	168,382	**158,061**
Profit/(Loss) from operations	31,634	23,685	11,174	(8,918)	**(8,246)**
Profit/(Loss) before taxation	31,294	23,210	9,889	(11,650)	**(11,597)**
Net profit/(Loss) for the financial year	23,164	18,378	13,622	(1,870)	**(11,609)**
Statement of financial position (RM'000)					
Shareholders' equity	125,921	188,769	195,693	192,352	**181,313**
Total borrowings	29,535	34,131	50,757	78,206	**73,556**
Total assets	191,238	269,020	284,820	293,419	**275,870**
Ratio					
Earnings/(Loss) per share (sen)	8.47	5.31	3.27	(0.44)	**(2.77)**
Interest cover (times)	93.04	49.86	8.70	(3.26)	**(2.46)**
Return on equity	18.40%	9.74%	6.96%	(0.97%)	**(6.40%)**
Return on total assets	16.54%	8.80%	3.92%	(3.04%)	**(2.99%)**
Gearing	0.23	0.18	0.26	0.41	**0.41**
Net assets per share (RM)	1.15	1.14	0.47	0.46	**0.43**

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

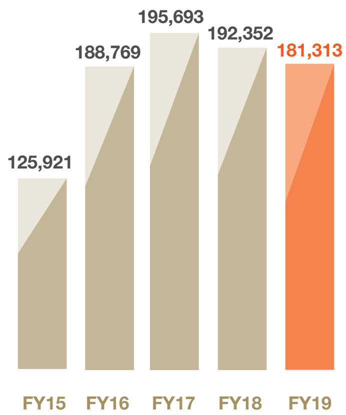
REVENUE
(RM'000)



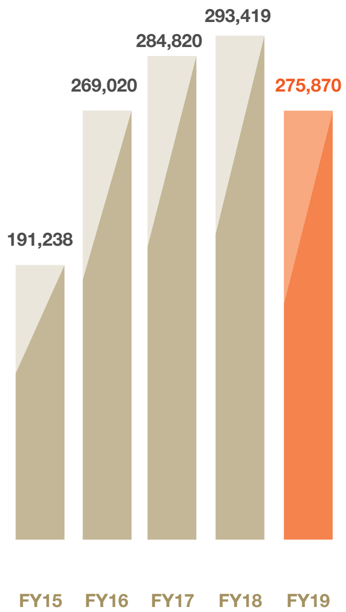
PROFIT/(LOSS) BEFORE TAXATION
(RM'000)



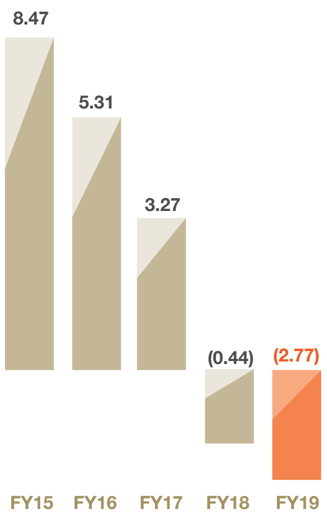
SHAREHOLDERS' EQUITY
(RM'000)



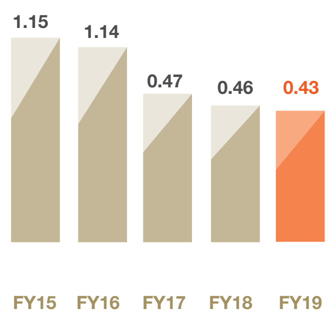
TOTAL ASSETS
(RM'000)



EARNINGS/(LOSS) PER SHARE
(sen)

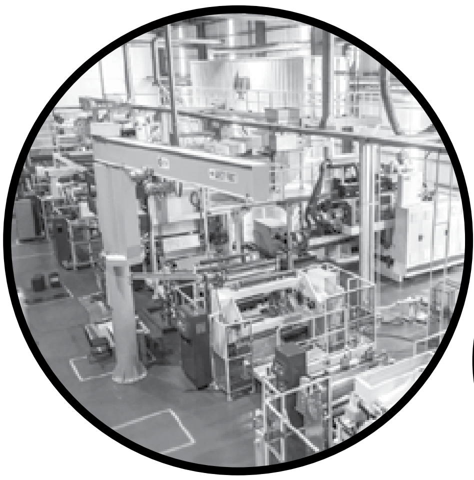


NET ASSETS PER SHARE
(RM)



FINANCIAL STATEMENTS

THE REPORTS



DIRECTORS' REPORT

For the year ended 31 December 2019

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 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiary is disclosed in Note 6 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 subsidiary is disclosed in Note 6 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
(Loss)/Profit for the year attributable to:		
Owners of the Company	(11,598)	420
Non-controlling interests	(11)	–
	(11,609)	420

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

No dividend has been paid or declared by the Company since the end of previous financial year.

The Board of Directors do not recommend any final dividend to be paid for the financial year ended 31 December 2019.

DIRECTORS OF THE COMPANY

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

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
En. Azmi bin Arshad (appointed on 1 October 2019)
Tan Sri Dato' Seri Arshad bin Ayub (resigned on 30 September 2019)

The names of the Directors of subsidiary are set out in the subsidiary's 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 subsidiary) 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 2019 '000**	**Bought '000**	**Sold '000**	**At 31 December 2019 '000**
Company					
Mr. Chin Cheong Kee @ Chin Song Kee	Direct	427	–	–	427
Mr. Yong Kwet On	Direct	1,117	–	–	1,117
	Deemed	100,953	4,200	(6,460)	98,693
Mr. Lim Hun Swee	Direct	67,932	19,358	–	87,290
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 2019 '000**	**Granted and accepted '000**	**Forfeited '000**	**At 31 December 2019 '000**
Company					
To' Puan Rozana binti Tan Sri Redzuan		2	–	(2)	–

	Number of Warrants			
Name of Directors	**At 1 January 2019**	**Bought**	**Sold**	**At 31 December 2019**
Company				
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 issued the following shares:

a) 199,000 new ordinary shares for cash arising from the exercise of the employees' share options at an exercise price of RM0.43 per ordinary share; and

b) 34,000 new ordinary shares for cash arising from the exercise of the employees' share options at an exercise price of RM0.53 per ordinary share.

At the Annual General Meeting held on 16 May 2019, 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 828,300 of its issued ordinary shares with an average repurchase price of RM0.50. 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;

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.

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 2019**	**Grant**	**Exercised**	**Forfeited**	**At 31 December 2019**
9 September 2016	RM0.60	442	–	–	(26)	416
6 January 2017	RM0.59	23	–	–	(23)	–
9 September 2017	RM0.87	4,291	–	–	(541)	3,750
28 January 2018	RM0.91	483	–	–	(197)	286
24 December 2018	RM0.53	5,910	–	(34)	(1,036)	4,840
15 January 2019	RM0.61	–	511	–	(193)	318
11 September 2019	RM0.43	–	6,684	(199)	(440)	6,045

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 subsidiary 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.

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 2019 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: 22 May 2020

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Assets					
Property, plant and equipment	3	187,954	202,146	–	–
Right-of-use assets	4	3,514	–	–	–
Deferred tax assets	5	4,527	4,527	–	–
Investment in a subsidiary	6	–	–	137,208	136,560
Total non-current assets		195,995	206,673	137,208	136,560
Inventories	7	22,179	28,687	–	–
Contract assets	8	10,035	3,375	–	–
Trade and other receivables	9	38,090	41,598	114	1
Current tax assets		8	6,031	8	16
Cash and cash equivalents		9,563	7,055	211	83
Total current assets		79,875	86,746	333	100
Total assets		275,870	293,419	137,541	136,660
Equity					
Share capital	10	110,015	109,883	110,015	109,883
Reserves	10	71,298	82,469	26,981	26,138
Equity attributable to owners of the Company		181,313	192,352	136,996	136,021
Non-controlling interests		–	11	–	–
Total equity		181,313	192,363	136,996	136,021
Liabilities					
Loans and borrowings	11	17,233	–	–	–
Lease liabilities		253	–	–	–
Employee benefits	12	554	609	–	–
Total non-current liabilities		18,040	609	–	–
Trade and other payables	13	19,987	22,190	494	588
Lease liabilities		156	–	–	–
Loans and borrowings	11	56,323	78,206	–	–
Dividends payable		51	51	51	51
Total current liabilities		76,517	100,447	545	639
Total liabilities		94,557	101,056	545	639
Total equity and liabilities		275,870	293,419	137,541	136,660

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 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	14	158,061	168,382	1,500	2,600
Cost of sales		(156,518)	(165,367)	–	–
Gross profit		1,543	3,015	1,500	2,600
Other income		2,210	945	–	–
Distribution expenses		(3,991)	(3,551)	–	–
Administrative expenses		(7,794)	(7,908)	(861)	(777)
Other expenses		(214)	(1,419)	(219)	–
Results from operating activities		(8,246)	(8,918)	420	1,823
Finance income		62	70	–	–
Finance costs	15	(3,413)	(2,802)	–	–
Net finance costs		(3,351)	(2,732)	–	–
(Loss)/Profit before tax		(11,597)	(11,650)	420	1,823
Tax (expense)/income	16	(12)	9,780	–	(29)
(Loss)/Profit for the year/ Total comprehensive (expense)/income for the year	17	(11,609)	(1,870)	420	1,794
(Loss)/Profit attributable to:					
Owners of the Company		(11,598)	(1,864)	420	1,794
Non-controlling interests		(11)	(6)	–	–
(Loss)/Profit for the year/ Total comprehensive (expense)/income for the year		(11,609)	(1,870)	420	1,794
Basic loss per ordinary share (sen)	18	(2.77)	(0.44)		
Diluted loss per ordinary share (sen)	18	(2.76)	(0.44)		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

		<---- 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 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)
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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

	Note	Share capital 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
		< ---- Attributable to owners of the Company							---- >		
		< ---- Non-distributable					---- >	Distributable			
Group											
At 1 January 2019		109,883	(4)	(662)	1,790	2,991	16,967	61,387	192,352	11	192,363
Loss and total comprehensive expense for the year		–	4	–	–	–	–	(11,598)	(11,594)	(11)	(11,605)
Contributions by and distributions to owners of the Company											
Equity settled share based transaction	10										
- Share option granted		–	–	–	866	–	–	–	866	–	866
- Share issued pursuant to ESOS		104	–	–	–	–	–	–	104	–	104
- Share option exercised		28	–	–	(28)	–	–	–	–	–	–
Own shares acquired	10	–	–	(415)	–	–	–	–	(415)	–	(415)
Total transactions with owners of the Company		132	–	(415)	838	–	–	–	555	–	555
Share option forfeited		–	–	–	(384)	–	–	384	–	–	–
At 31 December 2019		110,015	–	(1,077)	2,244	2,991	16,967	50,173	181,313	–	181,313

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	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 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.

	Note	Share capital 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 2019		109,883	(662)	1,790	16,967	8,043	136,021
Profit and total comprehensive income for the year		–	–	–	–	420	420
Contributions by and distributions to owners of the Company							
Equity settled share based transaction	10						
- Share option granted		–	–	866	–	–	866
- Share issued pursuant to ESOS		104	–	–	–	–	104
- Share option exercised		28	–	(28)	–	–	–
Own shares acquired	10	–	(415)	–	–	–	(415)
Total transactions with owners of the Company		132	(415)	838	–	–	555
Share option forfeited		–	–	(384)	–	384	–
At 31 December 2019		110,015	(1,077)	2,244	16,967	8,847	136,996

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

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash flows from operating activities					
(Loss)/Profit before tax		(11,597)	(11,650)	420	1,823
Adjustments for:					
Depreciation of:					
- Plant and equipment		17,919	17,052	–	–
- Right-of-use assets		260	–	–	–
Equity settled share-based transactions		866	1,014	–	–
Finance costs	15	3,413	2,802	–	–
Finance income		(62)	(70)	–	–
Investment in a subsidiary written off		4	–	218	–
Property, plant and equipment:					
- Written off		38	1	–	–
- Loss/(Gain) on disposal		41	(11)	–	–
Reversal of impairment loss on trade receivables		(18)	(16)	–	–
Bad debt written off on other receivables		34	–	–	–
Unrealised (gain)/loss on foreign exchange		(1,693)	1,418	–	–
Dividend income		–	32	–	–
Operating profit before changes in working capital		9,205	10,508	638	1,823
Change in employee benefits		(55)	(56)	–	–
Change in inventories		6,508	306	–	–
Change in trade and other receivables		3,637	20,405	(113)	1
Change in trade and other payables		(2,203)	(9,972)	(94)	115
Change in contract assets		(6,660)	3,769	–	–
Cash generated from operations		10,432	24,960	431	1,939
Tax refunded/(paid)		6,011	(1,686)	8	(13)
Other finance costs paid		(169)	(207)	–	–
Net cash from operating activities		16,274	23,067	439	1,926

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

STATEMENTS OF CASH FLOWS (CONT'D)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment		(5,945)	(47,987)	–	–
Acquisition of right-of-use assets		(1,120)	–	–	–
Proceeds from disposal of property, plant and equipment		26	328	–	–
Interest received		62	70	–	–
Dividend received		–	32	–	–
Net cash used in investing activities		(6,977)	(47,557)	–	–
Cash flows from financing activities					
Drawndown of term loans		358	23,501	–	–
Repayment of term loans		(15,396)	(9,991)	–	–
Net short term borrowings		11,936	12,808	–	–
Proceeds from exercise of share option		104	124	104	124
Payment for repurchase of treasury shares		(415)	(518)	(415)	(518)
Payment of lease liabilities		(132)	–	–	–
Dividends paid to owners of the Company		–	(2,276)	–	(2,276)
Interest paid		(3,244)	(2,595)	–	–
Net cash (used in)/from financing activities		(6,789)	21,053	(311)	(2,670)
Net increase/(decrease) in cash and cash equivalents		2,508	(3,437)	128	(744)
Cash and cash equivalents at 1 January		7,055	10,492	83	827
Cash and cash equivalents at 31 December		9,563	7,055	211	83

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash and bank balances	9,563	7,055	211	83

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

Cash outflows for leases as a lessee

	Note	Group 2019 RM'000	2018 RM'000
Included in net cash from operating activities			
Payment relating to short-term leases	17	64	–
Payment relating to leases of low-value assets	17	38	–
Payment relating to cancellable leases not included in the measurement of lease liabilities	17	38	–
Included in net cash from financing activities			
Payment of lease liabilities		132	–
Interest paid in relation to lease liabilities	15	19	–
Total cash outflows for leases		291	–

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Adjustment on initial application of MFRS 16/ At 1 January 2019 RM'000	Net changes from financing cash flows RM'000	Acquisition of new lease RM'000	Foreign exchange movement RM'000	At 31 December 2019 RM'000
Group					
Banker's acceptances	776	1,251	–	–	2,027
Term loans	46,595	(15,038)	–	(1,015)	30,542
Trust receipts	24,500	2,041	–	–	26,541
Revolving credit	6,335	8,644	–	(533)	14,446
Lease liabilities	384	(132)	157	–	409
Total liabilities from financing activities	78,590	(3,234)	157	(1,548)	73,965

	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				
Banker's acceptances	8,566	(7,790)	–	776
Term loans	31,954	13,510	1,131	46,595
Trust receipts	10,237	14,263	–	24,500
Revolving credit	–	6,335	–	6,335
Total liabilities from financing activities	50,757	26,318	1,131	78,206

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 2019 comprise the Company and its subsidiary (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 2019 do not include other entities.

The Company is an investment holding company. The principal activities of its subsidiary is disclosed in Note 6.

These financial statements were authorised for issue by the Board of Directors on 22 May 2020.

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 of the MFRSs 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 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*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures –Interest Rate Benchmark Reform*

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

- MFRS 17, *Insurance Contracts*

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 2022

- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

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

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 the Company upon their first adoption.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 5 - 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 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. The impacts arising from the changes are disclosed in Note 26.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency (Cont'd)

(i) Foreign currency transactions (Cont'd)

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

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

Financial assets (Cont'd)

(b) Fair value through other comprehensive income (Cont'd)

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

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

(a) Fair value through profit or loss (Cont'd)

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(iii) Regular way purchase or sale of financial assets (Cont'd)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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. 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:

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases

The Group has applied MFRS 16 using the modified retrospective approach with no cumulative effect recognised in the retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

Current financial year

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

As a lessee

(i) Recognition and initial measurement

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

Current financial year (Cont'd)

As a lessee(Cont'd)

(i) Recognition and initial measurement (Cont'd)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) Subsequent measurement

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

Previous financial year

As a lessee

(i) Finance lease

Leases in terms of which the Group or the Company assumed substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition, the leased asset was 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 was accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was 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 were accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment was confirmed.

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

(ii) Operating lease

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

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

(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 method 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 and pledged deposits.

(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.

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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Impairment (Cont'd)

(i) Financial assets (Cont'd)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Impairment (Cont'd)

(ii) Other assets (Cont'd)

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Income tax (Cont'd)

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 over time 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Employee benefits

(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	Total RM'000
Group					
At cost					
At 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, as previously reported	71,143	282,989	18,948	1,709	374,789
Adjustment on initial application of MFRS 16	(4,830)	–	–	–	(4,830)
At 1 January 2019, as restated	66,313	282,989	18,948	1,709	369,959
Additions	727	4,775	443	–	5,945
Disposals	–	(195)	(173)	–	(368)
Written off	–	(490)	(5)	–	(495)
At 31 December 2019	67,040	287,079	19,213	1,709	375,041

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	Total RM'000
Accumulated depreciation					
At 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, as previously reported	10,042	149,860	11,893	848	172,643
Adjustment on initial application of MFRS 16	(2,717)	–	–	–	(2,717)
At 1 January 2019, as restated	7,325	149,860	11,893	848	169,926
Depreciation charge	1,594	14,050	1,971	304	17,919
Disposals	–	(130)	(171)	–	(301)
Written off	–	(454)	(3)	–	(457)
At 31 December 2019	8,919	163,326	13,690	1,152	187,087
Carrying amounts					
At 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
At 31 December 2019	58,121	123,753	5,523	557	187,954

	Group 2019 RM'000	Group 2018 RM'000
Carrying amounts of land and buildings		
At cost		
Land	16,348	18,139
Buildings	41,773	42,962
	58,121	61,101

Security

Certain property, plant and machinery of the Group with net book value of RM86,475,325 (2018: RM89,241,866) are charged to banks for banking facilities granted to the Group.

4. RIGHT-OF-USE ASSETS

	Land RM'000	Buildings RM'000	Motor vehicles RM'000	Total RM'000
Group				
At 1 January 2019	1,791	322	384	2,497
Additions	–	1,120	157	1,277
Depreciation	(113)	(9)	(138)	(260)
At 31 December 2019	1,678	1,433	403	3,514

The Group leases a piece of land, 2 shoplots and a number of forklifts that run between 3 years and 77 years respectively.

4.1 Significant judgements and assumptions in relation to lease

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

5. DEFERRED TAX ASSETS

Recognised deferred tax assets

Deferred tax assets and liabilities are attributable to the following:

	Group	
	2019 RM'000	2018 RM'000
Property, plant and equipment	(17,643)	(17,310)
Unabsorbed capital allowances	12,668	7,092
Unutilised reinvestment allowances	9,665	13,943
Others	(163)	802
	4,527	4,527

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group	
	2019 RM'000	2018 RM'000
Unutilised reinvestment allowances	29,496	11,670

Pursuant to the Finance Act 2018, unutilised reinvestment allowances can only be carried forward up to 7 consecutive years of assessment. Both the recognised and unrecognised unutilised reinvestment allowances will expire in year 2025.

Deferred tax assets have not been recognised in respect of the above unutilised reinvestment allowances because the utilisation will be dependent on the availability of the Group's future taxable profits before the expiry of the unutilised reinvestment allowances.

5. DEFERRED TAX ASSETS (CONT'D)

Movement in temporary differences during the year

	At 1 January 2018 RM'000	Recognised in profit or loss (Note 16) RM'000	At 31 December 2018/ 1 January 2019 RM'000	Recognised in profit or loss (Note 16) RM'000	At 31 December 2019 RM'000
Group					
Property, plant and equipment	(13,486)	(3,824)	(17,310)	(333)	(17,643)
Unabsorbed capital allowances	1,749	5,343	7,092	5,576	12,668
Unutilised reinvestment allowances	6,284	7,659	13,943	(4,278)	9,665
Others	157	645	802	(965)	(163)
	(5,296)	9,823	4,527	–	4,527

6. INVESTMENT IN A SUBSIDIARY

	Group 2019 RM'000	2018 RM'000
Cost of investment	132,960	133,178
Share options allocated to a subsidiary's employees	4,248	3,382
	137,208	136,560

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 2019 %	2018 %
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

* Tomypak Flexible Packaging (S) Pte. Ltd. was dissolved on 19 November 2019. The effect of the dissolution is not material to the Group's financial statements.

7. INVENTORIES

	Group	
	2019 RM'000	2018 RM'000
Raw materials	16,263	21,069
Work-in-progress	1,020	3,777
Finished goods	2,721	1,490
Consumables	2,175	2,351
	22,179	28,687
Recognised in profit or loss:		
- Inventories recognised as cost of sales	156,518	165,367
- Write-down to net realisable value	142	–

8. 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 upon delivery and payment is expected within 60 to 120 days.

The contract assets balances at the beginning of the year were all billed during the year.

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade receivables	35,761	38,431	–	–
Other receivables, deposits and prepayments	2,329	3,167	1	1
Due from a subsidiary - non-trade	–	–	113	–
	38,090	41,598	114	1

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

Included in other receivables, deposits and prepayments is deposit/advance payments of RM616,834 (2018: RM987,901) 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 NIL (2018: RM13,328).

10. CAPITAL AND RESERVES

Share capital

	Group/Company		Group/Company Number of ordinary shares	
	2019 RM'000	2018 RM'000	2019 '000	2018 '000
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares:				
At 1 January	109,883	108,735	419,831	419,632
Shares issued pursuant to ESOS	104	124	233	199
Share option exercised	28	31	–	–
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016	–	993	–	–
At 31 December	110,015	109,883	420,064	419,831

Reserves

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-distributable				
Treasury shares	(1,077)	(662)	(1,077)	(662)
Translation reserve	–	(4)	–	–
Share option reserve	2,244	1,790	2,244	1,790
Warrant reserve	16,967	16,967	16,967	16,967
Merger reserve	2,991	2,991	–	–
	21,125	21,082	18,134	18,095
Distributable				
Retained earnings	50,173	61,387	8,847	8,043
	71,298	82,469	26,981	26,138

Treasury shares

At the Annual General Meeting held on 16 May 2019, 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 828,300 of its issued ordinary shares with an average repurchase price of RM0.50. 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 2019, a total of 1,727,300 (2018: 899,000) repurchased shares are being held as treasury shares. The number of outstanding shares issue after the set off is 418,336,370 (2018: 418,931,670).

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.

10. CAPITAL AND RESERVES (CONT'D)

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.

11. LOANS AND BORROWINGS

	Group	
	2019 RM'000	**2018 RM'000**
Non-current		
Secured		
Term loans	17,233	–
Current		
Secured		
Term loans	13,309	46,595
Revolving credit	14,446	6,335
	27,755	52,930
Unsecured		
Trust receipts	26,541	24,500
Banker's acceptances	2,027	776
	28,568	25,276
	56,323	78,206
	73,556	78,206

11. LOANS AND BORROWINGS (CONT'D)

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; and

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 2019, the subsidiary has not complied with the financial covenant of maintaining the debt service ratio not less than 2.0 times. Prior to the year end, the Group has obtained approval from the bank for granting of waiver on the non-compliance with the financial covenant until 31 December 2020 and prior to the date of the financial statements are authorised for issuance, the said bank has extended the waiver period until 31 December 2021.

12. EMPLOYEE BENEFITS

12.1 Retirement benefits

	Group	
	2019	**2018**
	RM'000	**RM'000**
Defined benefit liability	554	609

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	
	2019	**2018**
	RM'000	**RM'000**
Balance at 1 January	609	665
Included in profit or loss		
Current service cost	73	55
	682	720
Reversal of benefits	(128)	(111)
Balance at 31 December	554	609

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
- 15 January 2019	511	2.46 years
- 11 September 2019	6,684	2 years

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

	2019		2018	
	Weighted average exercise price RM	Number of options ('000)	Weighted average exercise price RM	Number of options ('000)
Outstanding at 1 January	0.68	11,149	0.83	5,644
Granted during the year	0.44	7,195	0.57	6,634
Forfeited during the year	0.62	(2,456)	0.85	(930)
Exercised during the year	0.44	(233)	0.62	(199)
Outstanding at 31 December	0.58	15,655	0.68	11,149

The options outstanding at 31 December 2019 have an exercise price in the range of RM0.43 to RM0.91 (2018: RM0.53 to RM0.91) and a weighted average contractual life of 2 years (2018: 3 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:

	2019		2018	
	15 January 2019	**11 September 2019**	**28 January 2018**	**24 December 2018**
Fair value at grant date	RM0.166	RM0.117	RM0.241	RM0.142
Fair value of share options and assumptions				
Weighted average share price	RM0.605	RM0.430	RM0.910	RM0.530
Share price at grant date	RM0.675	RM0.475	RM1.010	RM0.590
Expected volatility (weighted average volatility)	32.90%	41.2%	25.25%	31.33%
Option life (expected weighted average life)	1.65 years	1.24 years	2.43 years	1.75 years
Expected dividends	0.39%	0.39%	0.64%	0.64%
Risk-free interest rate (based on Malaysian Government Securities)	3.46%	3.03%	3.36%	3.51%

Value of employee services received for issue of share options

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Total expense recognised as equity settled share-based transaction	866	1,014	–	–

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Trade payables	14,051	14,224	–	–
Other payables and accrued expenses	5,936	7,966	494	448
Due to a subsidiary				
- non-trade	–	–	–	140
	19,987	22,190	494	588

In prior year, the non-trade amount due to a subsidiary was unsecured, interest free and has no fixed term of repayment.

13. TRADE AND OTHER PAYABLES (CONT'D)

Included in other payables and accrued expenses are as follows:

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Plant and equipment payables	355	736	–	–
Sundry payables	2,445	4,514	49	2
Accruals and provisions	3,136	2716	445	446
	5,936	7,966	494	448

14. REVENUE

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Revenue from contracts with customers				
- Over time	158,061	168,382	–	–
Other revenue				
- Dividend income	–	–	1,500	2,600
	158,061	168,382	1,500	2,600

	Group 2019 RM'000	Group 2018 RM'000
Disaggregation of revenue from contracts with customers		
- Local	70,338	101,189
- Export	87,723	67,193
	158,061	168,382

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 over time 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 120 days from invoice date

15. FINANCE COSTS

	Group 2019 RM'000	Group 2018 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss	3,225	2,595
Interest expense on lease liabilities	19	–
	3,244	2,595
Bank charges	169	207
	3,413	2,802

16. TAX EXPENSE/(INCOME)

Recognised in profit or loss

Major components of income tax expense include:

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Current tax expense				
- Current year	14	17	–	–
- Prior years	(2)	26	–	29
	12	43	–	29
Deferred tax income				
- Origination and reversal of temporary differences	–	(9,855)	–	–
- Under provision in prior years	–	32	–	–
	–	(9,823)	–	–
	12	(9,780)	–	29
Reconciliation of tax expense/ (income)				
(Loss)/Profit before tax	(11,597)	(11,650)	420	1,823
Income tax calculated using Malaysian tax rate of 24%	(2,783)	(2,796)	101	438
Non-deductible expense	505	625	259	186
Tax incentive	–	(7659)	–	–
Non-taxable income	–	(8)	(360)	(624)
Effect of unrecognised deferred tax assets	2,292	–	–	–
	14	(9,838)	–	–
(Over)/Under provision in prior years	(2)	58	–	29
Tax expense/(income)	12	(9,780)	–	29

17. (LOSS)/PROFIT FOR THE YEAR

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
(Loss)/Profit for the year is arrived at after charging/ (crediting)					
Auditors' remuneration:					
- Audit fees					
- KPMG PLT		150	193	40	40
- Other auditors		–	22	–	–
- Non-audit fee					
- Local affiliates of KPMG PLT		14	14	14	3
- KPMG PLT		81	5	81	–
Bad debt written off on other receivables		63	–	–	–
Depreciation of:					
- Property, plant and equipment		17,919	17,052	–	–
- Right-of-use assets		260	–	–	–
Expenses relating to short-term leases	a	64	–	–	–
Expenses relating to leases of low-value assets	a	38	–	–	–
Expenses relating to cancellable leases not included in the measurement of lease liabilities		38	–	–	–
Dividend income		–	(32)	–	–
Net foreign exchange difference		(1,639)	992	–	–
Personnel expenses (including key management personnel):					
- Contributions to state plans		1,223	1,036	–	–
- Reversal of expenses related to defined benefit plan		(54)	(56)	–	–
- Wages, salaries and others		17,159	16,792	–	–
- Equity settled share-based transactions		866	1,014	–	–
Investment in a subsidiary written off		4	–	218	–
Property, plant and equipment:					
- Written off		38	1	–	–
- Loss/(Gain) on disposal		41	(11)	–	–
Reversal of impairment loss on trade receivables		(18)	(16)	–	–
Rental of premises		–	144	–	–

Note a

The Group leases hostels and office equipment with contract terms of 1 to 3 years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

18. LOSS PER ORDINARY SHARE

Basic loss per ordinary share

The calculation of basic loss per ordinary share at 31 December 2019 was based on the loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

Loss attributable to ordinary shareholders:

	Group	
	2019 RM'000	**2018 RM'000**
Loss for the year attributable to owners	(11,598)	(1,864)
Weighted average number of ordinary shares	418,912	419,350

	Group	
	2019	**2018**
Basic loss per ordinary share (sen)	(2.77)	(0.44)

Diluted loss per ordinary share

The calculation of diluted loss per ordinary share at 31 December 2019 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	
	2019 RM'000	**2018 RM'000**
Loss for the year attributable to owners (diluted)	(11,598)	(1,864)

Weighted average number of ordinary shares (diluted):

	Group	
	2019 '000	**2018 '000**
Weighted average number of ordinary shares (basic)	418,912	419,350
Effect of share options in issue	1,203	927
Effect of exercise of warrants	–*	–*
Weighted average number of ordinary shares (diluted) at 31 December	420,115	420,277

	2019	**2018**
Diluted loss per ordinary share (sen)	(2.76)	(0.44)

* The warrants are anti-dilutive.

19. DIVIDENDS

Dividends recognised by the Company were:

	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	

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.

	2019 RM'000	2018 RM'000
Revenue		
- Local	70,338	101,189
- Export	87,723	67,193
	158,061	168,382

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 2019 RM'000	Revenue 2018 RM'000
Local market	20,708	48,036
Export market	60,470	15,255
	81,178	63,291

21. CONTINGENT LIABILITIES

	Company	
	2019	**2018**
	RM'000	**RM'000**
Unsecured		
Corporate guarantees given to banks in respect of outstanding banking facilities of a subsidiary	73,556	78,206
Secured		
Property, plant and equipment charged to banks as security for banking facilities granted to a subsidiary	86,475	89,242

22. CAPITAL COMMITMENTS

	Group	
	2019	**2018**
	RM'000	**RM'000**
Capital expenditure commitments		
Plant and equipment		
Contracted but not provided for	2,095	1,863

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	
	2019	**2018**
	RM'000	**RM'000**
Net gains/(losses) on:		
Financial assets at amortised cost	1,248	(1,394)
Financial liabilities at amortised cost	(2,816)	(2,106)
	(1,568)	(3,500)

23.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

23. FINANCIAL INSTRUMENTS (CONT'D)

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 three (2018: four) major customers, representing 62% (2018: 66%) 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 assessed the risk of loss of each customer individually based on their financial information, past trend of payments and external credit ratings, where applicable. All of these customers have low risk of default.

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)

The following table provides information about the exposure to credit risk 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.

	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Group			
2019			
Current (not past due)	39,341	–	39,341
1 - 30 days past due	4,743	–	4,743
31 - 60 days past due	1,185	–	1,185
61 - 90 days past due	157	–	157
	45,426	–	45,426
Credit impaired			
More than 90 days past due	370	–	370
Individually impaired	95	95	–
	45,891	95	45,796
Trade receivables	35,856	95	35,761
Contract assets	10,035	–	10,035
	45,891	95	45,796
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	350	–	350
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

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)

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

	Credit impaired/Total 2019 RM'000	2018 RM'000
Group		
Balance at 1 January	139	241
Amounts written off	(26)	(86)
Net remeasurement of loss allowance	(18)	(16)
Balance at 31 December	95	139

As at 31 December 2019, RM25,286 (2018: RM86,099) of trade receivables were written off but they are still subject to enforcement activity.

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 RM73,556,826 (2018: RM78,205,765) representing the outstanding banking facilities of the subsidiary at the end of the reporting period.

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

23. FINANCIAL INSTRUMENTS (CONT'D)

23.4 Credit risk (Cont'd)

Financial guarantees (Cont'd)

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.

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/ Discount rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2019						
Group						
Non-derivative financial liabilities						
Secured term loans	30,542	2.74 - 4.30	32,218	14,454	9,050	8,714
Unsecured trust receipts	26,541	2.87 - 4.27	26,541	26,451	–	–
Unsecured banker's acceptances	2,027	4.21 - 4.38	2,027	2,027	–	–
Secured revolving credit	14,446	3.07 - 3.85	14,446	14,446	–	–
Lease liabilities	409	4.30	433	170	165	98
Trade and other payables	19,987	–	19,987	19,987	–	–
Dividends payable	51	–	51	51	–	–
	94,003		95,703	77,676	9,215	8,812

23. FINANCIAL INSTRUMENTS (CONT'D)

23.5 Liquidity risk (Cont'd)

	Carrying amount RM'000	Contractual interest rate/ Discount rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2019						
Company						
Non-derivative financial liabilities						
Other payables	494	–	494	494	–	–
Dividends payable	51	–	51	51	–	–
Financial guarantee	–	–	73,556*	73,556	–	–
	545		74,101	74,101	–	–
2018						
Group						
Non-derivative financial liabilities						
Secured term loans	46,595	2.74 - 4.30	49,147	49,147	–	–
Unsecured trust receipts	24,500	3.40 - 4.30	24,500	24,500	–	–
Unsecured banker's acceptances	776	4.61 - 4.80	776	776	–	–
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	–	–

* represents the amount outstanding as disclosed in Note 23.4.

23. FINANCIAL INSTRUMENTS (CONT'D)

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 US Dollar ("USD"), Euro ("EUR") and Singapore Dollar ("SGD").

Risk management objectives, policies and processes for managing the risk

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**
2019			
Trade receivables	14,766	–	4,556
Other receivables	93	–	4
Cash and cash equivalents	5,305	–	304
Secured term loans	(30,542)	–	–
Secured revolving credit	(14,446)	–	–
Unsecured trust receipts	(26,541)	–	–
Trade payables	(1,179)	–	(318)
Other payables	(225)	(118)	(4)
	(52,769)	(118)	4,542
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)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.6 Market risk (Cont'd)

Currency risk (Cont'd)

Currency risk sensitivity analysis

A 10% (2018: 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	
	2019 RM'000	**2018 RM'000**
USD	4,010	4,530
EUR	9	36
SGD	(345)	15

A 10% (2018: 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 borrowings and lease liabilities 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.

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:

	Group	
	2019 RM'000	**2018 RM'000**
Fixed rate instruments		
Financial liabilities	(43,423)	(31,611)
Floating rate instruments		
Financial liabilities	(30,542)	(46,595)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.6 Market risk (Cont'd)

Interest rate risk (Cont'd)

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 RM232,000 (2018: RM354,000). 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 their fair values as the interest rate is expected to correspond to the movements in the market interest rate.

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 2019, the Group's strategy, which was unchanged from 2018, was to maintain the debt-to-equity ratio at below 1.00 time. The debt-to-equity ratios at 31 December 2019 and at 31 December 2018 were as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Total borrowings (Note 11)	73,556	78,206
Lease liabilities	409	–
Less: Cash and cash equivalents	(9,563)	(7,055)
	64,402	71,151
Total equity	181,313	192,363
Debt-to-equity-ratio	0.36	0.37

24. CAPITAL MANAGEMENT (CONT'D)

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. Prior to the year end, the subsidiary has obtained approval from the bank for granting of waiver on the non-compliance with the financial covenant until 31 December 2020 and prior to the date of the financial statements are authorised for issuance, the said bank has extended the waiver period until 31 December 2021.

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.

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 9 and 13.

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'00**
A. Subsidiary				
Dividend receivable	–	–	1,500	2,600
B. Company in which a Director of the subsidiary has a substantial financial interest				
Purchases	–	345	–	–
C. Company with a parent company that has a common Director with the Company				
Sales of goods	–	97	–	–

25. RELATED PARTIES (CONT'D)

Significant related party transactions (Cont'd)

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'00**
D. Key management personnel compensation				
Directors:				
- Fees	405	405	405	405
- Remuneration	1,033	1,089	13	16
- Contributions to state plans	123	132	–	–
Total short-term employee benefits	1,561	1,626	418	421
Other key management personnel:				
- Remuneration	–	195	–	–
- Contributions to state plans	–	23	–	–
	–	218	–	–
	1,561	1,844	418	421

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 RM80,733 (2018: RM52,706).

26. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the year, the Group adopted MFRS 16.

Definition of a lease

On transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

Where the Group is a lessee, the Group applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application not as an adjustment to the opening balance of retained earnings at 1 January 2019.

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 4.30%. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

26. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

As a lessee (Cont'd)

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of-use asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the leased asset and lease liability under MFRS 117 immediately before that date.

Impacts on financial statements

Since the Group applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 January 2019, there are no adjustments made to the prior period presented.

The following table explains the difference between operating lease commitments applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the statement of financial position at 1 January 2019.

	RM'000
Operating lease commitments at 31 December 2018	507
Discounted using the incremental borrowing rate at the 1 January 2019	486
Recognition exemption for short-term leases	(64)
Recognition exemption for leases of low-value assets	(38)
Lease liabilities recognised at 1 January 2019	384

27. SUBSEQUENT EVENT

(i) On 11 March 2020, the Company had entered into a conditional sale and purchase agreement ("SPA") with the shareholders of SP Plastic & Packaging Sdn. Bhd. ("SP Plastic") to acquire 51% equity interest comprising 102,000 ordinary shares of SP Plastic for a total purchase consideration of RM1,168,915 which will be entirely satisfied through the transfer of 2,205,500 Treasury Shares of the Company to the shareholders of SP Plastic.

(ii) World Health Organisation has declared coronavirus (COVID-19) as global health emergency on 30 January 2020 and has since spread to countries across the world including Malaysia. The widespread of the virus has resulted lockdowns in many countries and the Government of Malaysia has announced a Movement Control Order ("MCO"), which began on 18 March 2020. The COVID-19 pandemic has weakened the global economic outlook and the unprecedented lockdowns in many countries have also caused shrinkages in demand and disruption to supply chain networks.

The Group considers this outbreak to be a non-adjusting event as the effect of COVID-19 does not exist as at the reporting date. As such, the current conditions arising from this outbreak do not have an impact on the financial statements balances reported for the financial year ended 31 December 2019.

As at the date the financial statements are authorised for issuance, the current situation is still very unpredictable. As a result, it is not practicable for the Group to estimate the financial effect of this outbreak at this juncture. The Group anticipates that the assumptions used to estimate the recoverable amount for the deferred tax assets may have to be reassessed accordingly to reflect current conditions.

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 115 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 2019 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: 22 May 2020

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 115 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 22 May 2020.

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 2019 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 115.

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 2019, 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.

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 7 - 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.

Assessment on recognition of deferred tax assets	
Refer to Note 1(d) – Basis of preparation - use of estimates and judgements, Note 2(k) - Significant accounting policy: Income tax and Note 5 – Deferred tax assets.	
The key audit matter	**How the matter was addressed in our audit**
The Group has recognised deferred tax assets of RM4.527 million as of 31 December 2019, which mainly arose from unabsorbed capital allowances and unutilised reinvestment allowances. The unutilised reinvestment allowances will expire in year 2025 under the current tax legislation. The recognition of deferred tax assets involves the Directors exercising judgement and making estimates of expected future taxable profits which will be available for utilisation of the reinvestment allowances before they expire.	We performed the following audit procedures, among others: • Evaluated historical forecasting accuracy by comparing the prior year's projected profits to actual results reported. • Evaluated the key assumptions adopted, in particular, those relating to sales growth and contribution margin, to determine reasonableness by comparing them with historical performance, and internal and external sources of information. • Determined that the Group recognised the carrying amount of deferred tax asset to the extent that it becomes probable that sufficient taxable profits would be available to utilise the reinvestment allowances before they expire.

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.

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.

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

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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: 03174/04/2021 J
Chartered Accountant

Johor Bahru

Date: 22 May 2020

ANALYSIS OF **SHAREHOLDINGS**

As at 29 May 2020

Total number of issued shares	:	418,153,870 (excluding 2,205,500 treasury shares)
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share
No. of Shareholders	:	3,069

DISTRIBUTION OF SHAREHOLDINGS

Range of Shares	No. of Holders	Percentage (%)	No. of Shares	Percentage (%)
1 to 99	117	3.812	4,485	0.001
100 to 1,000	204	6.647	109,199	0.026
1,001 to 10,000	1,047	34.115	6,158,443	1.473
10,001 to 100,000	1,453	47.344	44,909,492	10.740
100,001 to 20,907,693 (*)	242	7.885	201,951,239	48.296
20,907,694 and above (**)	6	0.197	165,021,012	39.464
Total	**3,069**	**100.00**	**418,153,870**	**100.000**

REMARK : * LESS THAN 5% OF ISSUED SHARES
** 5% AND ABOVE OF ISSUED SHARES

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 29 MAY 2020

No.	Name of Substantial Shareholders	Interest in Shares Direct	Interest in Shares Deemed	Note	* Percentage % Total
1	Yong Kwet On	1,117,087	98,792,752	a	23.89%
2	New Orient Resource Sdn. Bhd.	98,792,752	–		23.63%
3	Lim Hun Swee	89,242,212	–		21.34%
4	Tan Sri Dato Seri Arshad Bin Ayub	14,364,837	21,831,300	b	8.66%
5	Zalaraz Sdn. Bhd.	21,831,300	–		5.22%

DIRECTORS' INTERESTS IN SHARES AS AT 29 MAY 2020

No.	Name of Directors	Interest in Shares Direct	Interest in Shares Deemed	Note	* Percentage % Total
1	Yong Kwet On	1,117,087	98,792,752	a	23.89%
2	Lim Hun Swee	89,242,212	–		21.34%
3	Tan See Yin	441,007	–		0.11%
4	Chin Cheong Kee @ Chin Song Kee	427,087	–		0.10%
5	To' Puan Rozana Binti Tan Sri Redzuan	340,000	–		0.08%
6	Azmi Bin Arshad	–	–		0.00%

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 shareholdings is computed based on the total number of issued shares of 420,359,370 shares less 2,205,500 treasury shares held by the Company as at 29th May 2020.

LIST OF TOP 30 SHAREHOLDERS AS AT 29 MAY 2020

No.	No. of Name of Shareholders	Percentage Shares Held	(%)
1	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR NEW ORIENT RESOURCES SDN BHD*	44,190,000	10.568
2	RHB NOMINEES (ASING) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIM HUN SWEE*	32,500,000	7.772
3	RHB CAPITAL NOMINEES (ASING) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIM HUN SWEE (CEB)*	23,922,500	5.721
4	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR ZALARAZ SDN BHD (MY3113)*	21,831,300	5.221
5	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR NEW ORIENT RESOURCES SDN BHD*	21,500,000	5.142
6	LIM HUN SWEE	21,077,212	5.041
7	RHB NOMINEES (TEMPATAN) SDN BHD *OSK CAPITAL SDN BHD FOR NEW ORIENT RESOURCES SDN BHD*	20,500,000	4.903
8	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR NEW ORIENT RESOURCES SDN. BHD. (MY3347)*	12,400,000	2.965
9	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHEW HON CHOY (7003209)*	11,900,000	2.846
10	CGS-CIMB NOMINEES (ASING) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR ABDUL AZIZ BIN MOHAMED HUSSAIN (MY0324)*	11,845,300	2.833
11	ALLIANCEGROUP NOMINEES (ASING) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIM HUN SWEE (8108460)*	11,742,500	2.808
12	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR ARSHAD BIN AYUB*	10,205,000	2.440
13	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOH CHEN YOOK (021)*	6,109,400	1.461
14	TAN BEE LAY	6,100,000	1.459
15	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR LOH CHEN YOOK (PB-0J0051)*	4,830,000	1.155
16	AMBANK (M) BERHAD *PLEDGED SECURITIES ACCOUNT FOR CHEW HON CHOY (SMART)*	4,806,300	1.149

LIST OF TOP 30 SHAREHOLDERS AS AT 29 MAY 2020 (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	1.076
18	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR ARSHAD BIN AYUB (MY1393)*	4,159,837	0.995
19	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR* *SYED MOHD YUSOF BIN TUN SYED NASIR (MARGIN)*	3,235,200	0.774
20	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR OOI PENG CUAN (PBCL-0G0102)*	3,016,800	0.721
21	TAN AH PING	2,470,000	0.591
22	CHONG LEE FONG	2,277,600	0.545
23	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LAW SIEW LAN (MX2700)*	2,220,000	0.531
24	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN KIM HEUNG (MY1989)*	2,000,000	0.478
25	EE CHONG PANG	2,000,000	0.478
26	KAN MUN HOOW	1,703,500	0.407
27	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOH CHEN YOOK (8089132)*	1,600,000	0.383
28	EE CHONG PANG	1,600,000	0.383
29	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIM CHIN HORNG (7002468)*	1,580,000	0.378
30	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIM HUNG THIAM (7000997)*	1,577,000	0.377
	TOTAL	**299,399,449**	**71.600**

ANALYSIS OF WARRANT HOLDINGS

As at 29 May 2020

No. of warrants issued	:	136,834,414
Exercise Price	:	RM0.92 per warrant
Issue Date	:	21 June 2016
Expiry Date	:	21 June 2021
No. of warrant holders	:	1,100

DISTRIBUTION OF WARRANT HOLDINGS AS AT 29 MAY 2020

Range of Shares	No. of Holders	Percentage (%)	No. of Warrants	Percentage (%)
1 to 99	73	6.636	2,564	0.002
100 to 1,000	64	5.818	23,682	0.017
1,001 to 10,000	382	34.727	2,132,500	1.558
10,001 to 100,000	435	39.545	16,053,741	11.732
100,001 to 6,841,720 *	144	13.091	93,258,177	68.154
6,841,721 and above **	2	0.183	25,363,750	18.537
Total	**1,100**	**100.00**	**136,834,414**	**100.000**

REMARK : * LESS THAN 5% OF ISSUED WARRANTS
** 5% AND ABOVE OF ISSUED WARRANTS

DIRECTORS' INTERESTS IN WARRANTS AS AT 29 MAY 2020

No.	Name of Directors	Interest in Shares Direct	Interest in Shares Deemed	Note	* Percentage % Total
1	Lim Hun Swee	21,925,000	–	a	16.02%
2	Yong Kwet On	–	1,000,000		0.73%
3	Tan See Yin	–	–		0.00%
4	Chin Cheong Kee @ Chin Song Kee	–	–		0.00%
5	To' Puan Rozana Binti Tan Sri Redzuan	–	–		0.00%
6	Azmi Bin Arshad	–	–		0.00%

Note:

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

* The percentage of warrant holdings is computed based on the total number of issued warrants of 136,834,414 warrants as at 29th May 2020.

LIST OF TOP 30 WARRANT HOLDERS AS AT 29 MAY 2020

No.	Name of Shareholders	No. of Warrant Held	Percentage (%)
1	AMBANK (M) BERHAD *PLEDGED SECURITIES ACCOUNT FOR CHEW HON CHOY (SMART)*	13,180,000	9.632
2	RHB NOMINEES (ASING) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIM HUN SWEE*	12,183,750	8.904
3	ALLIANCEGROUP NOMINEES (ASING) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIM HUN SWEE (8108460)*	4,916,250	3.593
4	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHEW WENG KIT*	4,481,000	3.275
5	GOH TEN FOOK	4,256,200	3.110
6	KANG MOONSERK	3,825,000	2.795
7	TAN BEE LAY	3,697,000	2.702
8	RHB CAPITAL NOMINEES (ASING) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIM HUN SWEE (CEB)*	3,307,500	2.417
9	TEH BEE GAIK	2,554,900	1.867
10	SOH POH TECK	2,168,900	1.585
11	ZALARAZ SDN BHD	2,147,000	1.569
12	LOH FATT CHONG	2,000,000	1.462
13	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR NG KOOI HOCK*	1,900,000	1.389
14	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR YAP LIAN KEOW (E-KPG/JJG)*	1,784,500	1.304
15	LIFETIME LEARNING SDN.BHD.	1,700,000	1.242
16	HWAN SEO CHAU	1,684,200	1.231
17	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHEW WENG KIT (6000304)*	1,545,000	1.129
18	LIM HUN SWEE	1,517,500	1.109
19	NG WAI YIP	1,500,000	1.096
20	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SOW KENG KEN (E-KPG/JJG)*	1,500,000	1.096
21	TA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR JOEL CHEW JOON SOON*	1,475,050	1.078

LIST OF TOP 30 WARRANT HOLDERS AS AT 29 MAY 2020 (CONT'D)

No.	Name of Shareholders	No. of Warrant Held	Percentage (%)
22	TA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KHONG MEI KUAN*	1,399,300	1.023
23	SIM LI WEN	1,377,000	1.006
24	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHIN GEE YOONG (MARGIN)*	1,370,000	1.001
25	SIN CHEE MING	1,341,200	0.980
26	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR NG WEI CHEN (MY2114)*	1,202,951	0.879
27	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEE TECK BUOY*	1,200,000	0.877
28	AW KEONG LEONG	1,000,000	0.731
29	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR* *JAGDISHPAL SINGH A/L DARSHAN SINGH(MY3080)*	1,000,000	0.731
30	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR YAM TIEN MIT*	1,000,000	0.731
	TOTAL	**84,214,201**	**61.544**

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 29 May 2020 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 Fifth Annual General Meeting ("25th 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 25th AGM of the Company to be convened at Mersing Room, Impiana Hotel, Jalan Impian Senai Utama 2, Taman Impiana Senai, 81400 Senai, Johor, Malaysia on Wednesday, 19th August 2020 at 10.00a.m., notice of which is set out on page 137 to 141 of the Annual Report of the Company.

3. DETAILS OF THE PROPOSED SHARE BUY-BACK

At the Twenty Fourth Annual General Meeting of the Company held on 16 May 2019, 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 16 May 2019 will expire at the conclusion of the forthcoming 25th AGM of the Company which will be held on 18 June 2020 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 May 2020, the share capital of Tomypak is RM109,186,909.36 comprising 420,359,370 ordinary shares ("Tomypak Shares").

The Company had purchased an aggregate of 1,266,500 of its own shares for the previous twelve (12) months preceding the date of this Statement and the last purchase was made on 16 January 2020. All the Tomypak Shares purchased were retained as treasury shares and the total cumulative treasury shares held as at 29 May 2020 was 2,205,500.

Information on the shares purchased and resold by the Company during the financial year ended 31 December 2019 is set out in page 35 of the Annual Report 2019.

As at 29 May 2020, the total number of issued shares of the Company is 420,359,370 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.

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 25th 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 2019, the Company's audited retained profit amounted to RM8.84 million. Based on the latest unaudited management accounts as at 31 May 2020, 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.

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. That authority be and is hereby given to the Directors of the Company to deal with such treasury shares in any such manner as prescribed in Section 127(7) of the Companies Act 2016.

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.

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 June 2019 to May 2020 are as follows:-

Month	Share Price	
	High (RM)	Low (RM)
2019		
June	0.52	0.50
July	0.51	0.48
August	0.50	0.45
September	0.51	0.47
October	0.53	0.50
November	0.56	0.48
December	0.56	0.48
2020		
January	0.54	0.46
February	0.49	0.46
March	0.47	0.30
April	0.41	0.33
May	0.46	0.39

(Soure: Investing.com)

The last transacted price of the Shares on 19 June 2020, being latest practical date prior to the printing of this Statement is RM0.46.

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 May 2020 is as follows:-

Description	**Minimum Scenario*'* No. of Tomypak Shares*****
Total number of issued shares as at 29 May 2020	420,359,370
Less maximum number of shares which may be purchased and cancelled pursuant to the Proposed Share Buy-Back (10%)	(42,035,937)
Resultant number of issued shares upon completion of the cancellation of the maximum number of Purchased Shares	378,323,433

Description	**Minimum Scenario*'* No. of Tomypak Shares*****
Total number of issued shares as at 29 May 2020 to be issued upon the completion of the following:	420,359,370
(i) full exercise of warrants	136,834,425
	557,193,795
(ii) full exercise of Employees' Share Option Scheme (15% of the total number of issued shares)	83,579,069
Enlarged number of issued shares	640,772,865
Less maximum number of shares which may be purchased and cancelled pursuant to the Proposed Share Buy-Back (10%)	(64,077,286)
Resultant number of issued shares upon completion of (i) and (ii) above and cancellation of the maximum number of Purchased Shares	576,695,579

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 May 2020, the number of treasury shares held by the Company was 2,205,500.

(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. EFFECTS OF THE PROPOSED SHARE BUY-BACK

6.2 Earnings

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

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

6.3 NA

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

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

6.4 Working Capital

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

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

6.5 Gearing

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

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 May 2020 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 May 2020[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	%
Yong Kwet On	1,117,087	0.27	98,792,752[3]	23.50	1,117,087	0.30	98,792,752[3]	26.11
Lim Hun Swee	89,242,212	21.23	–	–	89,242,212	23.59	–	–
Tan See Yin	441,007	0.10	–	–	441,007	0.12	–	–
Chin Cheong Kee @ Chin Song Kee	427,087	0.10	–	–	427,087	0.11	–	–
To' Puan Rozana Binti Tan Sri Redzuan	340,000	0.08	–	–	340,000	0.09	–	–
Azmi Bin Arshad	–	0.00	–	–	–	0.00	–	–
Tan Sri Dato Seri Arshad Bin Ayub	14,364,837	3.45	21,831,300[4]	5.19	14,364,837	3.80	21,831,300[4]	5.77
New Orient Resources Sdn. Bhd.	98,792,752	23.50	–	–	98,792,752	26.11	–	–
Zalaraz Sdn. Bhd.	21,831,300	5.19	–	–	21,831,300	5.77	–	–

Notes:-

(1) The percentage shareholding is calculated based on 420,359,370
(2) The percentage shareholding is calculated based on 378,323,433
(3) Deemed interested by virtue of his substantial shareholding in New Orient Resources Sdn. Bhd.
(4) Deemed interested by virtue of his substantial shareholding in Zalaraz 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 May 2020 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 May 2020				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	%
Yong Kwet On	1,117,087	0.27	98,792,752[(3)]	23.50	1,117,087	0.17	98,792,752[(3)]	15.42	1,117,087	0.19	98,792,752[(3)]	17.13
Lim Hun Swee	89,242,212	21.23	–	–	89,242,212	13.93	–	–	89,242,212	15.47	–	–
Tan See Yin	441,007	0.10	–	–	441,007	0.07	–	–	441,007	0.08	–	–
Chin Cheong Kee @ Chin Song Kee	427,087	0.10	–	–	427,087	0.07	–	–	427,087	0.07	–	–
To' Puan Rozana Binti Tan Sri Redzuan	340,000	0.08	–	–	340,000	0.05	–	–	340,000	0.06	–	–
Azmi Bin Arshad	–	0.00	–	–	–	0.00	–	–	–	0.00	–	–
Tan Sri Dato Seri Arshad Bin Ayub	14,364,837	3.42	21,831,300[(4)]	5.19	14,364,837	2.24	21,831,300[(4)]	3.14	14,364,837	2.49	21,831,300[(4)]	3.79
New Orient Resources Sdn. Bhd.	98,792,752	23.50	–	–	98,792,752	15.42	–	–	98,792,752	17.13	–	–
Zalaraz Sdn. Bhd.	21,831,300	5.19	–	–	21,831,300	3.41	–	–	21,831,300	3.79	–	–

Notes:-

(1) The percentage shareholding is calculated based on 640,772,865
(2) The percentage shareholding is calculated based on 576,695,579
(3) Deemed interested by virtue of his substantial shareholding in New Orient Resources Sdn. Bhd.
(4) Deemed interested by virtue of his substantial shareholding in Zalaraz Sdn. Bhd.

7. PUBLIC SHAREHOLDING SPREAD

As at 29 May 2020, the public shareholding spread of the Company is approximately 45.82%. Assuming that the Company purchases up to a maximum of 42,035,937 Tomypak Shares from the public shareholders, representing approximately ten percent (10%) of the total number of issued shares as at 29 May 2020, 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 40.12 %.

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 25th 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 2019 Annual Report of Tomypak for further information to the purchases made by the Company of its own shares in the last financial year.

13. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the Company's Registered Office situated at Suite 9D, Level 9, Menara Ansar, 65 Jalan Trus, 80000 Johor Bahru, Johor during normal business hours from Monday to Friday (except for public holidays) from the date of this Circular up to and including the date of the AGM:

(i) The Constitution of the Company; and

(ii) The audited consolidated financial statements of the Company for the past two financial years ended 31 December 2018 and 31 December 2019.

This Statement is dated 30 June 2020.

PARTICULARS OF PROPERTIES

The details of the landed property of the Tomypak Group as at 31 December 2019 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, Kawasan Perindustrian Senai Fasa 3, 81400 Senai, Johor Darul Ta'zim	Industrial Land/ Industrial land and factory building	456.84/ 351.30	Freehold land	52,517	–
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	4,527	15.11.1994
Tomypak Flexible Packaging Sdn Bhd/ Unit 736, Block A, Kelana Centre Point, No.3, Jalan SS7/19, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan	Leasehold Building/ Sales & Marketing Office	1.195	Leasehold building	318	–
Tomypak Flexible Packaging Sdn Bhd/ Unit 508 & 510, Block A, Kelana Centre Point, No.3, Jalan SS7/19, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan	Leasehold Building/ Sales & Marketing Office	3.229	Leasehold building	1,115	–

NOTICE OF 25TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty Fifth Annual General Meeting ("25th AGM") of the Company will be held at Mersing Room, Impiana Hotel, Jalan Impian Senai Utama 2, Taman Impiana Senai, 81400 Senai, Johor, Malaysia on Wednesday, 19th August 2020 at 10.00a.m. for the following purposes:-

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended 31 December 2019 together with the Reports of the Directors' and Auditors' thereon. ***(Please refer to Note 1)***

2. To approve the payment of Directors' fees of RM405,000 for the financial year ended 31 December 2019. ***(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 20th August 2020 until the next Annual General Meeting of the Company to be held in 2021. ***(Resolution 2)***

4. To re-elect Mr Yong Kwet On who retires in accordance with the Company's Constitution. ***(Resolution 3)***

5. To re-elect Encik Azmi Bin Arshad who retires in accordance with the Company's Constitution. ***(Resolution 4)***

6. To re-appoint Messrs KPMG PLT as Auditors of the Company for the financial year ending 31st December 2020 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** ***(Resolution 6)***
   - **PROPOSED AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTION 75 AND 76 OF THE COMPANIES ACT 2016**

   "**THAT** pursuant to Sections 75 and 76 of the Companies act 2016 and subject to approval of the relevant regulatory bodies, the Directors be and are hereby authorised to issue and allot shares in the Company at any time at such price and upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit including, but not limited to, for the purposes of funding investment project, working capital, repayment of bank borrowing, and/or acquisition provided that the aggregate number of shares so issued does not exceed 20% of the issued capital of the Company for the time being and the Directors be and are also empowered to obtain the approval of the Bursa Malaysia for listing of and quotation for the additional shares so issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

   The Board of Directors recognising the current situation of Covid-19 that has brought the countries and entrepreneurs of the entire world into an unprecedent catastrophe which is vastly different from the usual economic. Therefore, 20% of general mandate is good to the Company operation.

8. **ORDINARY RESOLUTION** ***(Resolution 7)***

- **PROPOSED RENEWAL OF SHAREHOLDERS' APPROVAL FOR SHARE BUY-BACK**

"**THAT**, subject to the Company's compliance with all applicable rules, regulations, orders and guidelines made pursuant to the Companies Act 2016, the provisions of the Company's Constitution and the requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company be and is hereby authorised to the fullest extent permitted by law, to buy-back and/or hold from time to time and at anytime such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interests of the Company ("Proposed Share Buy-Back") provided that:

(a) the maximum number of shares which may be purchased and/or held by the Company at any point of time pursuant to the Proposed Share Buy-Back shall not exceed ten percent (10%) of the total number of issued shares of the Company for the time being quoted on Bursa Securities;

(b) the maximum amount of funds to be allocated by the Company pursuant to the Proposed Share Buy-Back shall not exceed the sum of retained profits of the Company based on its latest audited financial statements and/or the latest management accounts (where applicable) available up to the date of a transaction pursuant to the Proposed Share Buy-Back;

THAT the shares purchased by the Company pursuant to the Proposed Share Buy-Back may be dealt with in all or any of the following manner (as selected by the Company):

(i) the shares so purchased may be cancelled; and/or

(ii) the shares so purchased may be retained as treasury shares in accordance with the relevant rules of Bursa Securities for distribution as dividend to the shareholders and/or resell through Bursa Securities and/or subsequently cancelled; and/or

(iii) part of the shares so purchased may be retained as treasury shares with the remainder being cancelled;

THAT authority be and is hereby given to the Directors of the Company to deal with such manner as prescribed in Section 127(7) of the Companies Act 2016;

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."

9. To transact any other business for which due notice shall have been given in accordance with the Company's Constitution and the Companies Act 2016.

BY ORDER OF THE BOARD

LEONG SIEW FOONG (MAICSA 7007572)
SANTHI A/P SAMINATHAN (MAICSA 7069709)
Secretaries

Johor Bahru
30 June 2020

Notes:-

1. A proxy must be of full age. A proxy may but need not be a member of the Company.

2. To be valid, this form, duly completed 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 entitled to attend, participate, speak and vote is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote instead of him. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

4. Where a Member 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. If the appointor is a corporation, the Form of Proxy must be executed under its Seal or under the hand of its attorney.

6. For the purpose of determining a member who shall be entitled to attend the Twenty Fifth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 12 August 2020. Only a depositor whose name appears therein shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice shall be put to vote by way of poll.

Notes:- (Cont'd)

8. ***Explanatory Notes***:

Agenda 1

This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 and the Company's Constitution and do not require a formal approval of the shareholders' and hence, is not put forward for voting.

Resolution 1 to 2:

Section 230(1) of the CA 2016 provides amongst other, that the fees of the directors, and any benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.

In this respect, the Board wishes to seek shareholders' approval for payment of Directors' fees for RM405,000 and other benefits payable up to RM120,000 for the period from 20th August 2020 after the 25th AGM until the next AGM to be held in year 2021.

In determining the estimated total amount of Directors' Fees and the Benefits payable for the Directors of the Company, the Board has considered various factors including the number of scheduled meetings for the Board and Board Committees of the Company as well as the number of Directors involved in these meetings based on the current number of Directors.

Resolution 3 to 4:

Clause 103 of the Companies Constitution expressly states that at the Annual General Meeting ("AGM") in every subsequent year, one-third of the Directors for the time being or, if their number is not three or a multiple of three, then, the number nearest to one-third shall retire from office and be eligible for re-election. Whereas Clause 110 of the Companies Constitution provides that any Director so appointed either to fill a casual vacancy or as an addition to the existing Directors shall hold office only until the next following AGM and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.

Pursuant to Clause 103 of the Companies Constitution, Mr Yong Kwet On is standing for re-election at this AGM. The profile of Mr Yong Kwet On is provided on page 12 of the Board of Directors' Profile in the 2019 Annual Report.

Pursuant to Clause 110 of the Companies Constitution, Encik Azmi Bin Arshad is standing for re-election at this AGM. The profile of Encik Azmi Bin Arshad is provided on page 14 of the Board of Directors' Profile in the 2019 Annual Report.

Resolution 5:

The Audit Committee and the Board have considered the re-appointment of Messrs KPMG PLT as Auditors of the Company and collectively agreed that KPMG PLT has met the relevant criteria prescribed under Paragraph 15.21 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Resolution 6:

Proposed Authority to Issue and Allot Shares Pursuant to Section 75 and 76 of the Companies Act 2016

The Ordinary Resolution No. 6 proposed in Agenda 7 above, if passed, will empower the Directors of the Company from the date of the above meeting until the next AGM, unless earlier revoked or varied at a general meeting, to issue shares in the Company up to an aggregate number not exceeding twenty per centum (20.0%) of the issued share capital of the Company for the time being for such purposes as they consider would be in the interest of the Company.

The renewal of the general mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund-raising exercise including but not limited to further placement of shares for purposes of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration.

Resolution 7:

Proposed Renewal of Shareholders' Approval for Share Buy-Back

The Ordinary Resolution 7 proposed in Agenda 8 above 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 pages 128 to137 of the Annual Report 2019.

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.

STATEMENT ACCOMPANYING NOTICE OF TWENTY FIFTH ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Bursa Malaysia Securities Berhad Listing Requirement

Pursuant to Paragraph 8.27(2) of the Bursa Malaysia Securities Berhad Listing Requirements

1. There is no person seeking for election as Director of the Company at this Annual General Meeting except for the following Directors standing for re-election at the 25th Annual General Meeting of the Company as follows:-

   (a) Mr Yong Kwet On - RESOLUTION 3
   (b) Encik Azmi Bin Arshad - RESOLUTION 4

   The details of the Directors who are standing for re-election are set out in the Profile of the Board of Directors on pages 12 and 14 in this Annual Report.

   Information on securities holdings in the Company by the directors standing for re-election are set out in the Directors Report on pages 122 and 125 of the Annual Report.

2. Mr. Chin Cheong Kee @ Chin Song Kee who have served the Company for 12 years and is subject to retirement by rotation in accordance with Clause 106 of the Constitution and eligible for re-election. However, Mr Chin deemed that it is appropriate for him to step down and have given his written notice for not seeking for re-election at the forthcoming 25th Annual General Meeting. Hence, Mr. Chin will retire as Director of Tomypak Holdings Berhad at the conclusion of the 25th Annual General Meeting. The Board accepted his decision and took this opportunity to appreciate and thank Mr Chin for his contributions to the Group during his tenure as Independent Director of the Company. The Board also undertakes responsibility to fulfill the vacancy for Independent Director within 3 months.

3. The general mandate for issuance of shares by the Company under Section 75(1) and 76(1) of the Companies Act 2016 is for the purpose of granting renewal of the mandate obtained from its shareholders at the 24th Annual General Meeting held on 16 May 2019. The Company did not issue any shares pursuant to this mandate obtained.

   The purpose of this general mandate is for possible fund-raising exercise including but not limited to further placement of shares for purposes of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration.

TOMYPAK HOLDINGS BERHAD
(Registration No. 199501008545 (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 Fifth Annual General Meeting of the Company to be held at Mersing Room, Impiana Hotel, Jalan Impian Senai Utama 2, Taman Impiana Senai, 81400 Senai, Johor, Malaysia on Wednesday, 19th August 2020 at 10.00a.m. and at any adjournment thereof.

Please indicate clearly with an "X" where appropriate against each resolution how you wish your proxy to vote. If no specific direction to voting is given, the proxy will vote or abstain at his/her discretion.

NO.	RESOLUTION	FOR	AGAINST
Ordinary Resolution 1	Approval of Directors' fees		
Ordinary Resolution 2	Approval of Directors' benefits		
Ordinary Resolution 3	Re-election of retiring Director, Mr Yong Kwet On		
Ordinary Resolution 4	Re-election of retiring Director, Encik Azmi Bin Arshad		
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		

(i) Applicable to shares held through a nominee account
* *Delete where applicable*

Sign this __________ day of _______________________ 2020

____
Signature/ Common Seal of Member

For appointment of 2 proxies, percentage of shareholdings **to be represented by the proxies**:-

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

Notes:

1. A proxy must be of full age. A proxy may but need not be a member of the Company.
2. To be valid, this form, duly completed 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 entitled to attend, participate, speak and vote is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote instead of him. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. Where a Member 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. If the appointor is a corporation, the Form of Proxy must be executed under its Seal or under the hand of its attorney.
6. Only members registered in the Record of Depositors as at 12 August 2020 shall be eligible to attend the meeting physically 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 Fifth Annual General Meeting dated 30th June 2020.

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TOMYPAK HOLDINGS BERHAD *(Registration No. 199501008545 (337743-W))*

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

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TOMYPAK HOLDINGS BERHAD Registration No. 199501008545 (337743-W)

Senai Plant: PTD 109476, Jalan Cyber 4, Kawasan Perindustrian Senai Fasa 3
81400 Senai, Johor Darul Ta'zim, Malaysia

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

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

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

KL Office: Unit 508 & 510, Block A, Kelana Centre Point
No.3, Jalan SS7/19, Kelana Jaya,
47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia

Tel: (6)03-7880 4233 **Fax:** (6)03-7880 7233 **Email:** tpsales@tomypak.com.my

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