TOMYPAK HOLDINGS BERHAD ("TOMYPAK" OR "THE COMPANY")

KEY MATTERS DISCUSSED AT 23RD ANNUAL GENERAL MEETING HELD ON 1ST JUNE 2018 ("AGM")

A. ISSUES RAISED BY THE MINORITY SHAREHOLDERS WATCHDOG GROUP ("MSWG") VIA MSWG'S LETTER DATED 23RD MAY 2018

Tomypak provided clarification on the issues raised by MSWG to the shareholders present at the AGM as per Appendix A enclosed.

B. QUESTIONS RAISED BY SHAREHOLDERS PRESENT AT THE AGM

Q1. It was noted from the Company's five years' financial highlights disclosed on page 50 of the Annual Report that the profit margin has dropped from 15% in year 2015 to 5% in 2017. With the tight fluctuation in revenue over the years, can Tomypak return to its top performance in 2015 and what are the measures/factors that the Company will consider in realising this?

The Executive Director of Tomypak, Mr Tan See Yin clarified that the drop in profit margin was due to increase in costs in 2017 arising from:

i. Variation in the level of production capacity, sales prices and fluctuation in export sales in US dollars.

ii. Increase in cost of raw material.

iii. Write off of slowing moving stocks.

iv. Making various provisions or write off of finish goods in line with the requirements of accounting standards.

   In order to avoid future write off of finish goods produced in excess of quantity ordered by customers (as buffer for damage/defect during the production process) under the new accounting standard, Management will tighten the internal processes and discuss new strategy with customers to reach consensus on quantity ordered, produced and delivered to minimise the impact of future write off arising from the requirements of accounting standards.

v. Substantial costs recognised in 2017 as a result of the adoption of new accounting practices which now require that cylinder costs, which form a substantial portion of the production costs and which are unique to the operations of gravure printing technologies, are to be written off instead of depreciated. The costs of cylinder written off in 2017 was approximately RM2 million.

vi. Increase in overall factory overheads as a result of the start-up of the new plant in Senai in the second quarter of 2017. There were also substantial start-up costs including usage of raw materials, utilities and additional labour costs, to conduct trial production runs, incurred in the commissioning of the new plant and equipment acquired, installed and commissioned during the year. Such costs do not translate into sales in 2017.

vii. Additional transportation, security, maintenance and other operating costs arising from the operation of two plants.

B. QUESTIONS RAISED BY SHAREHOLDERS PRESENT AT THE AGM – cont.

2017 was an abnormal year with lots of additional costs incurred without corresponding revenue. With the installation of another printing line and the film casting line, and commencement of low commercial operations in second half of 2018, the Company's operations should stabilize by end of 2018. The Company also expects its operations in 2019 to be smooth and expects its performance will continue to improve.

Q2. It was noted from the Company's first quarter results that the quantity shipped in the first quarter of 2018 has dropped to 2,700 metric tonnes from 3,200 metric tonnes in the corresponding period in 2017. Is the drop in quantity shipped due to competition from other industry players?

Mr Tan See Yin explained that the drop in quantity shipped was mainly due to a reduction in sales to a major overseas customer since the third quarter of 2017 and also the tendency of a March financial year end customer holding back its purchases to reduce its inventory level by year end closing in March.

The Company is continuously reviewing and implementing new sales and marketing strategies to improve sales including sourcing for more customers to widen its customers base as well as to work with existing customers to increase our product offerings to such customers. Other strategies adopted to improve overall efficiencies so as to reduce overall production costs include review labour cost structure and training, replacing foreign labour with local qualified employees who understand the industry and technology better and use of fully automated machine to improve its margin and operational efficiency and also to enhance its competitiveness in the market.

Q3. Who are the major and new competitors in Malaysia?
Who are the target employees that the Company plan to train?

Mr Tan See Yin explained that generally there are three levels similar companies operating in Malaysia. Tomypak and Daibochi are considered as the first tier that has the necessary certification to service multinational customers who demands that such certification are secured by their suppliers. The second tier companies are mainly based in Johor, Malacca and Ipoh and they also service some of the major companies as well as the next level of customers. The third tier consist of many small companies servicing the smaller users of such packaging materials.

Tomypak co-exists with all its competitors in a friendly manner. Tomypak may be small compared to major packaging companies world-wide but Tomypak its niche market and customers and more importantly has the credentials, and is recognised as a quality supplier and has proven its ability to service and deliver to multinational customers, which are the key factors to its success.

Tomypak will invest in training its young local workers, changing their mindset and work culture and provide continuing career progression.